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ABSTRACT

The Media Management and Economics section of the proceedings contains the following 6 selected papers: "Audience Economics of European Union Public Service Broadcasters: Assessing Performance in Competitive Markets" (Robert GH. Picard); "Remembering the DuMont Network: A Business Case Study Approach" (Walter S. McDowell); "The Impact of Competition on Weekly Newspaper Advertising Rates" (Stephen Lacy, David C. Coulson, and Hiromi Cho); "Managing Internet-Delivered Radio: New Markets, New Revenue, New Operations Issues" (Cheryl L. Evans and J. Steven Smethers); "Different Voices, Same Script: How Newsmagazines Cover Media Consolidation Issues" (Bryan Greenberg); "Content Differences between Daily Newspapers with Strong and Weak Market Orientations" (Randal A. Beam); and "Impact of Context Effects on Evaluation of New Shows in Lead-In/Lead-Out Context" (Jack C. C. Li and Jaemin Jung). (RS)

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# Audience Economics of European Union Public Service Broadcasters:

# Assessing Performance in Competitive Markets

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*Abstract*

**Audience Economics of European Union Public Service Broadcasters:**

**Assessing Performance in Competitive Markets**

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This paper explores the economics of audiences and applies the approaches to public service broadcasters in the European Union. It suggests and applies a method for analysing the contemporary performance of public broadcasters using market shares. The study finds that, as a whole, public service broadcasters are performing better than statistical expectations, that public service broadcasting is generally maintaining market leadership, and that higher market share performance is associated with lower levels of government funding.

## Audience Economics of European Union Public Service Broadcasters: Assessing Performance in Competitive Markets

European public service broadcasters (PSBs) have a common obligation to provide universal service to television audiences in their nations, providing material that serves the diverse social, political, cultural, and identity needs within the nations in which they are located.

Despite the similar mission, the broadcasters operate in very different environments and the means by which they are funded differ. Some rely solely on licence fees or government funds, whereas others obtain financing through advertising. Some are highly dependent upon advertising; others use it merely as supplementary funding (McQuail and Siune, 1986). Some public service broadcasters have stable funding; some struggle with funding that can vary widely from year to year.

A McKinsey & Co. study on public service broadcasting (1999) argued that these differences can be seen worldwide and that PSBs can be divided into three groups based on market share and distinctiveness, that is, providing a mix of content that is distinct from commercial broadcasters. The three groups were defined as broadcasters 1) focusing on distinctiveness over market share; 2) focusing on market share over distinctiveness; and 3) those seeking an equilibrium. All three of the groups are evident within the European Union.

In terms of competition, European public service broadcasters operate in situations ranging from markets in which no national commercial competitors exist to markets in which multiple commercial competitors serve the national market. Some have only domestic competitors; some encounter foreign competitors as well.

Throughout Europe during the past two decades, however, two commonalties exist: the number of channels offered by public service broadcasters has increased, and liberalisation of broadcasting policy has permitted the introduction and expansion of commercial channels at the national and local levels (Silj, 1992; Council of Europe, 1998; Davis, 1999). In addition, cable and satellite services are widely available. These changes have introduced and increased competition for audience attention and lowered audience shares of existing channels.

Observers of European public service broadcasting have noticed the changing market for public television and raised significant discussions about the change in PSBs and their role in the contemporary, commercialised multichannel environment (Blumer, 1992; "Genènse et actualité du service public," 1995; Tracey, 1998). Stations that had 100 percent market shares one or two decades ago are today achieving market shares in the 20 to 40 percent range. Some interpret these declines as a failure of public service broadcasting to continue serving its purposes or a failure of PSB management to respond appropriately to changing market conditions.

The prime time market share of the German regional channels ARD, for example, declined from 33.6 in 1990 to 15.4 in 1999. In the five-year period between 1994 and 1999, for example, the BBC 1 average primetime audience dropped from 33.7 to 28.6 and that of Portuguese Canal 1 declined from 38.5 to 31.4.

Setting aside arguments of whether audience share is appropriately applied to public service broadcasters, it is clearly being used as evidence by policy makers, public service broadcasters themselves, and social observers to promote a variety of policy and strategic policies and models. The diminishing use of PSB channels is also feared to reduce their value to audiences and the political will to continue funding their operations.

Allan Brown notes that declining market shares create significant financial pressures on broadcasters because "arguments of public broadcasters for the maintenance of their levels of public subsidy will be weakened to the extent that the sizes of their audience diminishes....Moreover, at least a percentage of pay-TV subscribers will be less inclined to pay license fees and taxes to finance public broadcasting stations, which will account for a smaller proportion of available channels and less of their viewing time" (Brown, 1996, p. 13).

Unfortunately, much discussion about the performance of PSBs is based on a misunderstanding of the importance of market share and the reasons for change in shares. If a channel suffers a decline in market share in a stable market, there is immediate reason for concern. Such a decline is indicative of poorer service, less attractive programming, or losing touch with the audience

When the market is changing because the number of competitors is increasing, however, a decline must be understood differently. It does not necessarily result from performance problems but from the inevitable result of more channels and hours of programming being offered to audiences.

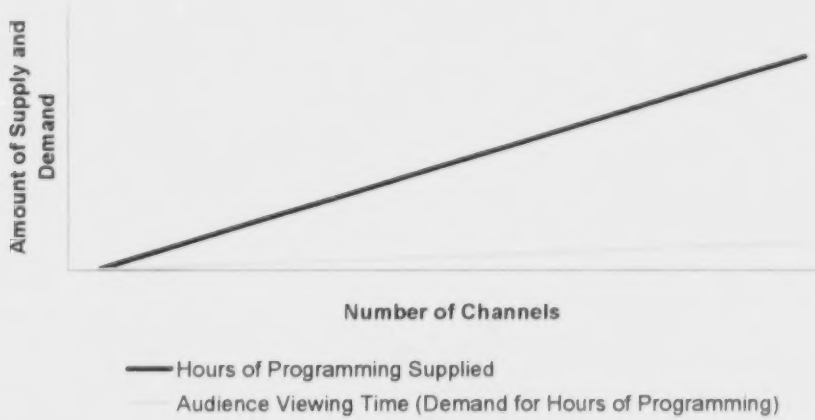
It has been difficult to compare the performance of public broadcasters across nations because the geography and population of each nation differs, because the number of public service channels differs, because the number of private channels varies, and because the political, social, and cultural requirements for public service differs. These issues have limited the number of cross-national studies on public broadcasting as a whole or led to studies considering them in regional terms or other logical groups based on various factors. This paper, however, seeks to provide a method for overcoming those difficulties through national evaluations that are comparable.

### *The Economics of Market Share*

The primary factor in audience market share is the number of channels available. Audience shares represent the portion of households or persons using television during a specific period. The total is 100 and the proportions that are accounted for by each channel are reported as a percentage or ratio (Beville Jr., 1988.)

Secondary factors are audience size and time expenditures. Both of these are relatively stable in the short- and mid-term and combine with number of channels to affect market shares. When a new channel enters the market it typically does not alter the size of the audience and, thus, demand remains relatively constant. Similarly, audience time is limited and time spent on television remains relatively consistent in the short-term, so the new channels and the consequent rise in hours of programming supplied will not significantly increase consumption of television programming, although the amount increases somewhat. This gap between supply and demand is illustrated in Figure 1.

Figure 1. Supply of Television Programming and Demand for Programming

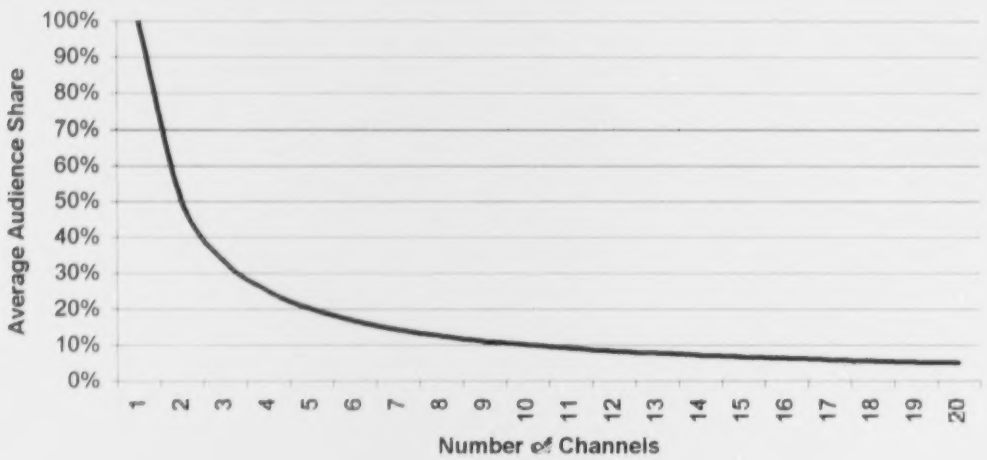

Amount of Supply and Demand
Number of Channels
Hours of Programming Supplied
Audience Viewing Time (Demand for Hours of Programming)

The result of this situation is that the introduction of each new channel increases competition and divides the audience, leading to an inevitable decline in audience share for any pre-existing channels. Thus, a European television market that moved from a situation in

which one public service channel had a broadcasting monopoly and 100 percent audience share to a situation in which three commercial competitors were authorised, each channel would be expected to achieve an audience share of 25 percent. Absent private competitors, public service broadcasters themselves reduce the market shares of their existing channels by adding additional channels to serve smaller segments of the audience or special needs in their nations.

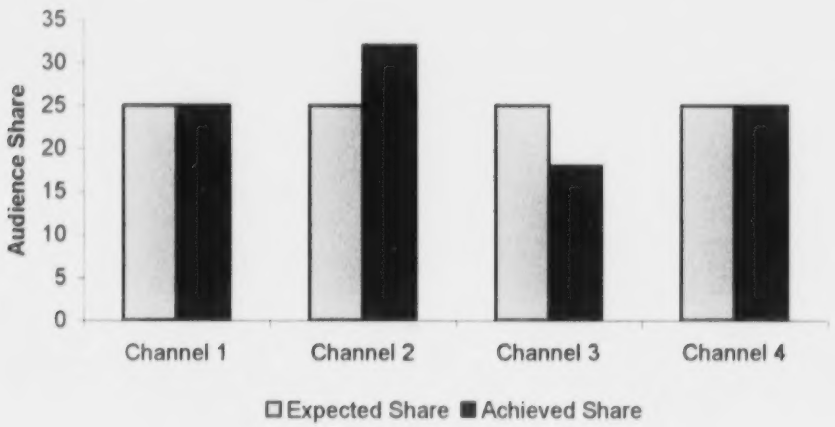
The reduction of average audience share from the addition of each channel is proportional and continual, as shown in Figure 2.

Figure 2. Declining Average Audience Share as Number of Channels Increase




This mathematical progression, however, does not take into account the effects of factors such as the provision of attractive programming, audience development strategies, and a variety of competitive advantages that channels may enjoy or achieve. As a result, some channels are able to obtain an audience share exceeding the expected average audience share through programming choices, better service of customer wants and needs, or other decisions under managerial control (see Figure 3).

Figure 3. Division of Audience Share Differs from Average Share in Practice (Hypothetical Example)




It has been noted that broadcasters provide a range of programming and that the range of types of programs offered among channels tends to be similar. These factors create situations in which audiences are split among the channels but concentrate their viewing on a few. "Where a country has several channels, each tends to be watched by many people for a part of their viewing time. Smaller channels not only have fewer viewers but also attract less of these viewers' viewing time than the larger channels" (Barwise and Ehrenberg, 1988, p. 63).

This factor is at the heart of audience program choices in competitive environments. "The monopolist's only concern is that viewers choose television over other activities, not that they watch their favorite programs. Yet to gain audiences, competitive broadcasters must attract viewers away from other channels as well as away from other leisure activities," according to Owen and Wildman (1992, pp. 79-80).

Conditions and behaviours that increase the attractiveness of channels provide competitive advantages for broadcasters, increase the audience demand for their broadcasts, and allow some channels to perform better than the average channel. If efforts and

investments are regularly made to improve channel attractiveness it is typically possible for a large broadcaster to remain one of the market leaders.

The concept of diminishing audience use of additional channels provides the basis for analysis of PSB performance. One can use the concept to separate the performance of public service broadcasters in competitive environments from the normal effects of declining average audience share that had been caused by merely increasing the number of channels when policy liberalisation removed monopolies or near monopolies on television broadcasting.

This study applies the method to national television markets in the European Union. The national market is appropriate because public service broadcasters are typically national broadcasters, sometimes with regional or metropolitan supplementary channels. The research is designed to answer the following research questions.

RQ1: What is the audience market performance of national public service broadcasters?

RQ2: How does it compare to the performance of commercial broadcasters?

RQ3: Is over- or under performance of public service channels associated with their method of funding?

### *Method*

To carry out the research, data on television channel and audience shares were obtained from the *Statistical Yearbook* of the European Audiovisual Observatory (2000). The observatory is the official audiovisual data collection centre for the Council of Europe and the European Commission and provides the primary statistical information for public policy making in Europe. Its data is considered authoritative. The researcher obtained national-level

data on channels broadcasting, national coverage, ownership status, and television audience daily market shares.

Public service channels are unique in that they were established with mandates to provide universal service, thus providing 100 percent national coverage or as close to that amount as technically feasible. Private commercial broadcasters, however, in many nations do not provide universal coverage for cost reasons or because they have limited their activities to regions or cities within countries. For this reason, national coverage data became a factor in the study.

The number of channels for use in the statistical computations was determined by selecting all channels that have national coverage of at least 50 percent. In practice, private broadcasters with such coverage tend to cover the major urban areas and compete significantly for audience share. Channels with less than 50 percent national coverage tend to have low audience shares, often in the 1 to 5 percent share range.

This inclusion process is not perfect, but it was necessitated because of data available and their limitations in terms of availability and share reporting. The effects of these limitations is an inflation of the market performance of commercial channels vis-à-vis that of public service broadcasters. This was deemed to be acceptable because the point of this study is to observe public service broadcasters' performance and the limitation forces the most conservative measure possible of their performance. In other words, the public service broadcasters' performance may be somewhat better than identified in a few cases, but it will not be worse.

Fourteen national markets were included in this study. Although the European Union includes 15 member states, Luxembourg is not included in the study because it does not have a public broadcaster. Three of the 14 nations presented unique channel and audience issues

that required special handling because of linguistic and proximity issues: Austria, Belgium, and Ireland.

Because of its size, its shared language, and its location adjacent to Germany, portions of the Austrian audience are targeted by broadcasts from Germany. As a result Austrian public broadcasting competes for audiences not only with domestic commercial channels but also with German commercial and public service channels. Of all the channels available, only the two Austrian PSB channels achieve more than 50 percent national coverage. If they were used alone, their performance would be highly overstated. As a result, the author lowered the coverage limitation for other broadcasters to 25 percent for this nation alone and reports results twice: once with only Austrian public service channels included and once with German public service channels included.

Belgium also required special handling because of its federated French- and Flemish-language communities. To overcome that issue, the two communities were treated as separate markets. The nature of the communities also presented problems in that significant foreign broadcasts from private broadcasters in French and Dutch are available for both language groups. The French-language community is also heavily served by public service broadcasting from France. In order to account for this issue, the data for the French-language community is reported twice: once with only domestic public service channels included and once with Belgian and French public service channels included.

Because of its proximity to the United Kingdom, its shared language, and the wide availability of British broadcasting, Ireland also faces the issue of foreign public service broadcasting. It was handled in the manner used for Belgium. Performance is reported twice: once with only domestic public service channels and once with British public service channels included.

The data for each channel in each nation was calculated using the following equation:

CMS – EAAS = Channel Performance

Where,

CMS = Channel market share
EAAS = Expected average audience share calculated as 100/number of channels

The result produced by the equation is the market share above or below the mathematically expected average for the public service broadcaster(s) in a nation.

For example, Portugal has 2 national public service channels (Canal 1 and TV-2) and 2 nationally available private channels (SIC and TVI). If the market is assessed as four competing channels, Canal 1 surpasses the expected share for four competing stations and TV-2 is an underperformer (Table 1)

Table 1. Performance of Portuguese National Channels Based on Channel Share Expectations

| Status | Channel | Audience Share | Expected Share | Performance |
|---|---|---|---|---|
| PS | Canal 1 | 28.1 | 25.0 | 3.1 |
| PS | TV-2 | 5.6 | 25.0 | -19.4 |
| PR | SIC | 45.9 | 25.0 | 20.9 |
| PR | TVI | 15.8 | 25.0 | -9.2 |

This approach, however, ignores the fact that public service broadcasters make an overall contribution to society through the combination of their contributions in separate channels and that the choice to add public service channels is typically made to improve services to some segments of the audience. For the purposes of measuring performance of public service broadcasters, then, it is appropriate to collapse the market performance of public service broadcasting into a single competitor for market share. Using that approach for the Portuguese situation (Table 2), the public broadcaster just slightly exceeds its expected

share, indicating that it is holding its own against market share loss caused by multiple channels.

Table 2. Performance of Portuguese National Channels Based on Channel Share Expectations

| Status | Channel | Audience Share | Expected Share | Performance |
|---|---|---|---|---|
| PS | Canal 1 & TV.2 | 33.7 | 33.3 | .04 |
| PR | SIC | 45.9 | 33.3 | 12.6 |
| PR | TVI | 15.8 | 33.3 | -17.5 |

Because of the necessity to gain an overall performance measure for public service television broadcasting, this latter approach of combining the market shares of all public service broadcasters was adopted. Using this process, it became possible to observe the national performance of European public television against an objective measure. These market performance results are thus comparable across nations because they evaluate performance in a method that accounts for differences in national television competition.

### *Results*

The results of the calculation yield a number showing the daily market share of public broadcasting above or below the expected average share. The interpretation of the result is simple: a public service broadcaster surpassing the average share is thus performing better than expected and the degree of that performance is shown by the extent to which it surpasses that share. Conversely, public broadcasters under the expected average are performing more poorly than expected.

As shown in Table 3, the majority of European public service broadcasters are performing far better than the mathematical expectation, but the performance ranges widely.

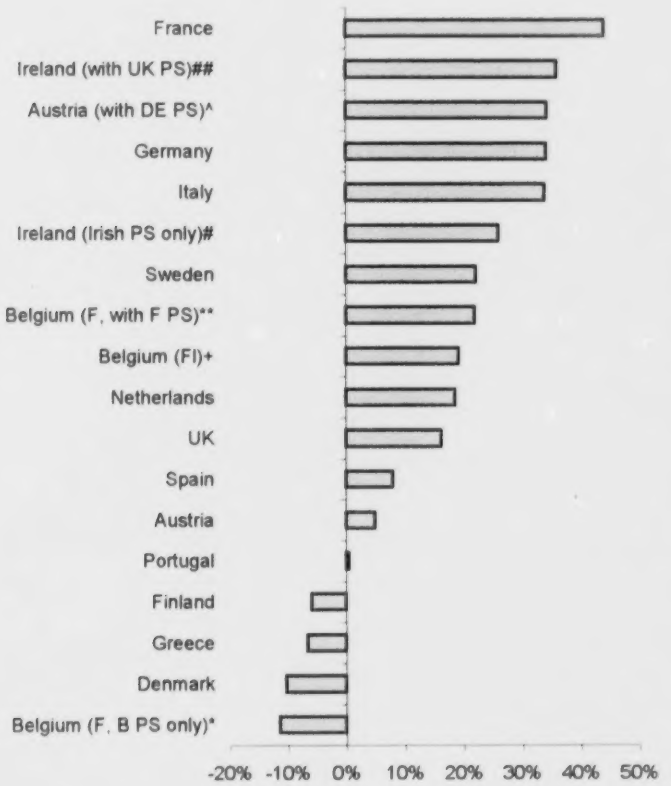
Table 3. Performance of European Public Service Broadcasters

| Nation | Performance |
|---|---|
| Austria | 4.9 |
| Austria (with DE PS)^ | 34.3 |
| Belgium (F, B PS only)* | -11.4 |
| Belgium (F, with F PS)** | 22.0 |
| Belgium (Fl)+ | 19.2 |
| Denmark | -10.3 |
| Finland | -6.0 |
| France | 44.1 |
| Germany | 34.2 |
| Greece | -6.7 |
| Ireland (Irish PS only)# | 26.0 |
| Ireland (with UK PS)## | 36.0 |
| Italy | 33.9 |
| Netherlands | 18.6 |
| Portugal | 0.4 |
| Spain | 7.9 |
| Sweden | 22.2 |
| UK | 16.2 |

^ Including German public broadcasters
* French community market, Belgian public service broadcasting only
** French community market, including French public service broadcasting
+ Flemish community market
# Including only Irish public service broadcasting
## Including UK public service broadcasting

A graphic display of the data (Figure 4) makes it easier to see that only four broadcasters are underperformers. That number is three if the contribution of French public service broadcasting to the French speaking community in Belgium is selected as the appropriate basis for analysing French-language public service in Belgium.

Figure 4: Range of Performance of European Public Broadcasters




^ Including German public broadcasters
* French community market, Belgian public service broadcasting only
** French community market, including French public service broadcasting
+ Flemish community market
# Including only Irish public service broadcasting
## Including UK public service broadcasting

In considering the performance of PSB against private broadcasters, the daily audience shares of all domestic public service channels was combined and compared against the shares of commercial channels. In all cases, except Greece and Portugal, public service broadcasting still occupied the number one market position in EU nations (Table 4).

Table 4. Market Position of Domestic Public Service Broadcasting, 1999

| | Market Position |
|---|---|
| Austria | 1 |
| Belgium (F)* | 1 |
| Belgium (Fl)+ | 1 |
| Denmark | 1 |
| Finland | 1 |
| France | 1 |
| Germany | 1 |
| Greece | 5 |
| Ireland | 1 |
| Italy | 1 |
| Netherlands | 1 |
| Portugal | 2 |
| Spain | 1 |
| Sweden | 1 |
| United Kingdom | 1 |

*French language community
+Flemish language community

Public service broadcasting in Denmark and Finland, which underperformed based on expected market share, nevertheless held the number 1 market positions in their countries.

The market share losses for PSB, despite their maintenance of leading positions, is a particular problem for public broadcasters who also receive portions of their financing from advertising sales. As market share (and audience size) decline, advertisers are unwilling to pay as much, and this results in declining income as market share erodes. This factor would thus be expected to lead PSBs who rely on advertising to seek to overperform in terms of audience share. This factor is important because numerous European PSBs rely on advertising for portions of their income.

Calculations above identified France, Germany, and Italy as high overperformers[1] and Belgium, Denmark, Finland, Greece as underperformers.[2] This raises the question of whether the extent to which they rely on funds other than licence fees, such as advertising, commercial activities, etc. affects that standing.

[1] Ireland and Austria are excluded because they are high overperformers only when foreign PSBs are included.

In the case of France, PS channels get as much as 50 percent of their income from sources other than viewers. In Germany PS channels get only about 20-25 percent of their income from other sources. In Italy that number is 40 percent. In the case of Denmark, the DR PSB channels get less than 10 percent from outside sources and TV 2 gets 75 percent from outside. In Finland, less than about 25 percent of funding is from outside, and the Greek 12 percent from other sources.

It could also be argued that public service broadcasters who rely more on government payments will be less focused on pleasing and generating audiences than pleasing parliaments and that broadcasters who rely on licence fees have an incentive to stay close to their audience interests and needs.

To determine whether there is relationship between sources of income and performance, a correlation analysis was conducted. It revealed (Table 5) only low correlations between performance and source of funding, but found a "certain, weak dependence"[3] between lower levels of state funding and better market share performance.

Table 5. Correlation of Market Share Performance and Funding for Public Service Broadcasters

| | Performance | Licence | State | Other |
|---|---|---|---|---|
| Performance | 1 | | | |
| Licence | 0.025327 | 1 | | |
| State | -0.26399 | -0.71959 | 1 | |
| Other | 0.100818 | -0.93606 | 0.429259 | 1 |

### *Summary*

This paper has explored the economics of audience market shares and applies those concepts to the situations encountered by public service broadcasters in the European Union.

[2] The French language PSB in Belgium is included because of the presence of the French PSBs
[3] Using the Guilford interpretation model.

It has argued that focusing on declining market shares in an inappropriate method for measuring performance. Instead, it asserts that performance must be measured in terms of how successful broadcasters are in terms of current competitive market conditions rather than starting the measure with the previous position of monopoly or less competitive markets.

Using a method based on current market conditions, the study has found that, as a whole, public service broadcasters are performing better than statistical expectations and that public service broadcasting is maintaining market leadership in nearly all EU nations, with the exception of Greece and Portugal.

Public service broadcasting in Greece underperforms the expected average and finds itself in fifth place in terms of market position. Portugal is in the much better position of at least performing to expectation in terms of market share but not well enough to maintain market leadership.

The study did not find evidence supporting arguments that licence fee funding or advertising funding affect market share performance negatively or positively, but found some evidence that lower levels of direct government funding were related to higher market performance.

This data suggests that public service broadcasting overall is continuing to play an important role in most nations in the European Union and that concerns that it has lost its role or position are perhaps overstated. The markets in which public service channels exist today have clearly changed and may require new operational strategies, but it still far to early to write off public service broadcasting as a social good of the past.

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MME



# Remembering the DuMont Network: A Business Case Study Approach

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To be presented at the 2001 AEJMC Conference

by Max Grubb, Ph.D

Abstract

Remembering the DuMont Network: A Business Case Study Approach

The brief ill-fated history of the DuMont TV network serves as a useful case study for understanding the interactive effects of untried technology, frustrating regulation and ruthless economics on a new media venture. Unlike prior studies that took a broader historical point of view, this paper embraces a business case study approach to focus on how contemporary media management lessons still can be learned from studying the fateful decisions surrounding the demise of America's original fourth TV network.

Remembering the DuMont Network: A Business Case Study Approach

On October 10,1955, the DuMont Television Network signed off for the last time, calling an end to the promise of a viable fourth network to compete with the entrenched "Big Three". Over 30 years would pass before anyone would breach the walls of the NBC-CBS-ABC oligopoly. The founder and namesake of the upstart Network Alan B. DuMont has been called a visionary, a pioneer, an entrepreneur, a gambler and ultimately a failure. Despite his dogged attempt to cultivate a UHF television network, in many respects he was doomed from the start. This paper takes a business case study approach to answer the questions of what went wrong and what can contemporary broadcasters and policymakers learn from studying the fateful decisions surrounding the ill-fated history of the DuMont television network.

During DuMont's struggle, three important television industry issues surfaced almost simultaneously. First, the Federal Communications Commission conceded that the only means of satisfying the enormous demand for television station licenses was to make use of the untried UHF spectrum. Second, the commission was then compelled to reallocate all station channel frequencies for the entire country. Third, with the introduction of UHF, virtually all home television sets were made obsolete. To accommodate this new technology, set manufactures were asked to modify voluntarily their internal components to accommodate UHF channels.

Fifty years later, the television industry faces three similar challenges. First, the FCC has mandated a monumental technological changeover from analog to untried digital TV transmission. Among the many advantages of digital television will be the opportunity for broadcasters to create secondary program networks. Coinciding with this transformation is a total reallocation of the nation's channel frequencies. Finally, as the industry goes digital, so must the American consumer, meaning that every analog

television set in the country will eventually become obsolete. As today's broadcasters brace for the introduction of Digital Television (DTV), so DuMont and his fellow broadcasters in 1952 were bracing for the introduction of UHF television. This study reveals how the DuMont network collapsed due to flawed decisions involving untried technology, frustrating regulation and unforgiving economics.

An Historical Case Study Approach

Start & Sloan (1989) maintain that history should be more than the recitation of facts. Interpretation can serve as an organizing principle, a core concept around which details can be arranged and causal explanations can be derived. He speaks of a professional perspective to the historical study of mass communication, where the development of media is interpreted through the prism of a particular profession, in this case the overlapping prisms of economics and policy.

Within this overarching historical perspective, a case study approach goes beyond an archival record of facts by analyzing the "how" and "why" aspects of events (Yin, 1994). Case studies can be utilized in both research and teaching contexts. According to Bonoma (1985), case study in marketing research is a comprehensive description of a management situation. As such, it is the marketing equivalent of a physician's clinical examination of a patient that relies on several assessment tools to arrive at a diagnosis.

From a teaching perspective, case studies have been a time-honored instructional method used by many business schools, particularly the Harvard Business School (Bonoma, 1989. Furthermore, from the vantagepoint of studying mass media, Hoag, Brickley & Cawley (2001) assert that participatory learning methods that include case studies offer highly effective alternatives to traditional lecture methods. Case studies demonstrate the "interrelatedness of management functions" and allow students to derive overriding principles from the real word experiences (p. 51). These authors

encourage colleges and universities offering courses in media management and economics to embrace this methodology, particularly when addressing business decision-making and problem-solving. ). In either a research or teaching context, case studies should make the information relevant to contemporary business decision-makers.

Among the several modes of case study analysis offered by Yin (1994) is pattern-matching where two or more similar events are examined in parallel. Narrowing our focus to matters of business, Gentile (1990) provides appropriate guidelines for what she defines as decision-focus case studies. Although the essential history of the DuMont TV network has been presented by other scholars, there has not been an assessment using a case study approach where the decision-making process is the dominant frame of reference. While, definitions of decision-making abound, Sohn, Wicks, Lacy & Sylvie (1999) offer conceptualizations that are especially appropriate for this media case study. They define decision-making as "the allocation of scarce resources by individuals or groups to achieve goals under conditions of uncertainty and risk" (p.2). Furthermore, when looking at the impact of external events and trends on a business organization, they categorize decisions as either *proactive* or *reactive*. Proactive decisions are made in anticipation of external changes, and reactive decisions are made as a result of external changes.

While many case studies are purely descriptive endeavors, this paper attempts to find causal explanations. Yin (1994) states that behavioral patterns and associated theoretical propositions can often emerge from a detailed descriptive analysis of an event and so this author found a recurring pattern of decision-making or to be more precise, a pattern of decision paralysis. We will define this paralysis as the *lack of decisive action* to resolve a recognized problem. That is, the economic or policy decision was to retain the status quo rather then venture into new initiatives. We shall see that

time and again, when Dumont needed assistance from either the private or public sectors, the result was often apathy, hesitation, delay, or denial.

Because of the extensive use of secondary references, this paper does not pretend to be a scholarly history. Instead, it offers a different slant to the existing body of knowledge concerning Alan B. DuMont and his network. For many years, Hess (1960) offered the most comprehensive historical analysis but having been written over 40 years ago, his work has become a prisoner of time. Auter and Boyd (1995) provide a more recent recounting of the events but leave room for differing interpretations and conclusions as to the most important decision factors influencing the network's demise. Ingram (2001) provides a comprehensive Internet website dedicated exclusively to the DuMont Network, offering everything from logos to program scripts. While maintaining a wealth of esoteric data and memorabilia, the site does not present an analytical perspective where lessons can be applied to contemporary situations.

The story of Dumont and of UHF television in general would be incomplete without a careful look at an historic telecommunications policy decision. The year 2002 will mark the 50th anniversary of the 1952 Sixth Report and Order; a group of fateful decisions made by the Federal Communications Commission (FCC) that became the catalyst for the downfall of the DuMont network and the decades-long struggle of UHF television. As a well-intentioned attempt to nurture a new industry and encourage diversity, one dissenting commissioner claimed that the order had merely "created a bigger Frankenstein ..." than existed before (Dissenter, 1952, p. 38). Consequently, this case study examines the regulatory monster that strangled this fledgling fourth network. Additionally, unlike prior work on the DuMont Network, this paper offers a direct comparison with the successful launch of the Fox network in the 1980s, outlining specific reasons why decisions made by Fox triumphed while those made by DuMont failed.

The first section of this study consists of a chronological presentation of events followed by an analysis of several fateful decisions that influenced the network's downfall. A second section provides a brief counterpoint comparison of factors contributing to the success of the Fox network. The final section examines relevant contemporary issues and provides enduring lessons to be learned from the DuMont episode.

## The DuMont Story

As early as 1931, Alan B. DuMont Ph.D saw the promise of television when he resigned from the De Forest Radio Company and opened his own experimental laboratory in a basement garage in Upper Montclair, New Jersey. With a $1000 in capital and three assistants, he developed the first commercially practical cathode ray tube. The subsequent DuMont Laboratories and its subsidiaries became principle manufacturers of vacuum tubes, studio cameras, TV sets, transmitters and other related electronic gear. Profits from these manufacturing endeavors were diverted into the research and development of television stations. In 1938, seeking funding beyond his own company, Alan DuMont struck a fateful deal with Paramount Pictures, whereby in exchange for considerable cash, the movie studio was given essentially half-ownership of the company through the purchase of common stock (Hess, 1960). This partnership in a burgeoning business would prove to be a very one-side financial relationship where for years Paramount would exploit DuMont for handsome profits while refusing to invest an additional dime beyond its initial 1938 stock purchase.

In 1939, DuMont's first experimental television station (W2XWV) went on the air in Passaic, New Jersey. That same year, at the New York World's Fair, DuMont demonstrated the first television sets for sale to the general public. By 1941, NBC, CBS and DuMont were all operating experimental VHF stations in the New York area. (Hess, 1960; Barnow, 1970).

Although Alan B. DuMont was a notable scientist, he was also a savvy businessman who appreciated the world of advertising and retail sales. As a scientist, Dr. DuMont valued the cause of experimentation, but his favorite experiments were those that eventually made money. He was always aware that the business of commercial broadcasting was the sale of audiences to advertisers. Bates (1998) maintains that, unlike many conventional businesses, the physical assets of a media company contribute little to its valuation. Instead, broadcasters create value through the more abstract qualities of audience preference and client good will.

Using today's jargon, one can say that DuMont decided to use a *business model* similar to that used by the radio industry. To maximize audience distribution, an interconnect network of stations was the obvious solution. Additionally, on the expense side of the ledger, DuMont saw the obvious economies of scale in producing programs that could be seen nationwide. He believed that it would only be a matter of time before his experimental operations would be given permission to go commercial. This free market, advertiser-based business model has remained the cornerstone of American television. Unlike most of the rest of the world, which favored far more government involvement in the early development of television technology and programming, the American broadcasting model in the 1940s and 1950s advocated little government intrusion (Corn - Revere & Carveth, 1998).

During the war years (1941-45), commercial television lay dormant. At the end of the war, there were only six surviving television outlets, but the stature of television would soon change dramatically. With the war restriction lifted, commercial license applications to the Federal Communications Commission soared. In 1945, the FCC established a table of television channel assignments for the country but the demand for access to the VHF spectrum far exceeded the government's supply (Barnow, 1970). A year earlier, the commission gave DuMont's experimental station in New York a

commercial license and a new set of call letters WABD. In April 1946, DuMont acquired his second VHF station in Washington D.C with the call letters WTTG (Hess, 1960).

That same year, AT&T created two coaxial cable transmission lines between New York and Washington D.C. with additional lines added in subsequent months. In theory, this would allow the TV networks to interconnect live programming among their owned and affiliated stations. In practice, however, AT&T pricing policies would place such unfair financial burdens on DuMont that live clearances of programs were discouraged (Auter & Boyd, 1995). With this interconnect infrastructure in place, Mr. DuMont announced at the company's annual stockholders' meeting in 1947 his intentions to form a full-fledged television network consisting of stations owned by DuMont plus affiliated stations in major cities. Later that year, the FCC granted an application for a third DuMont VHF station in Pittsburgh with the call letters WDTV (Hess 1960; Auter & Boyd, 1995).

1948 was a watershed year in the history of television with all four networks (ABC, CBS, NBC and DuMont) offering regular service to a total of 19 stations in 12 cities. It should be noted that during this time, Paramount Pictures was operating two stations of its own in Chicago and Los Angeles (Hess 1960; Auter & Boyd, 1995).

In an effort to encourage diversity of media ownership, the FCC initiated an ownership cap of no more than five stations. With such a rule in effect, the route to economic power in the industry shifted from direct ownership to affiliation (Gomery, 1998). In order to keep up with NBC and CBS, DuMont wanted to acquire as soon as possible two more stations. Although two stations were already licensed to Paramount, Dr. DuMont asserted that these facilities were not under his direct control and therefore, he had not achieved the maximum ownership of five stations. A long contentious FCC hearing addressing the matter decided that DuMont was wrong and that he should be denied additional acquisitions. Only a few months later, the two controversial Paramount

stations decided not to be part of the DuMont Network (Hess, 1960; Auter & Boyd, 1995). This setback aggravated an already deteriorating relationship between DuMont and Paramount. Hobbled by not having the direct cash flow from a full contingent of five stations, DuMont's competitive position with CBS and NBC began to wane.

The FCC denial of extended ownership marks the first but certainly not the last time that ownership caps would surface as a subject of considerable debate between regulators and the private sector. Fifty years later, the industry trade press are filled with articles dealing with the desire of the TV networks' to raise ownership caps in order survive and prosper. Moreover, problems surrounding station affiliation would continue for many years, culminating in highly publicized disputes between affiliated stations and their respective networks (McClellan, 2001a).

Haberstam (1993) contends that the introduction of television was enormously popular from the very beginning. During the early 1950s, television set manufacturers could barely keep up with consumer demand. However, Haberstam also notes that the mere novelty of television gave way quickly to audience preference for specific programs. While DuMont had some modest program successes, such as "Captain Video", "The Original Amateur Hour", and "Cavalcade of Stars" starring Jackie Gleason, he could not compete head to head with the programming blockbusters on competing networks, such as the "Texaco Star Theater" with Milton Berle and the legendary "I Love Lucy" (Shapiro, 1989). Furthermore, many rising DuMont stars, such as Gleason, abruptly changed networks when NBC or CBS offered more money (Auter & Boyd, 1995). TV production was expensive and DuMont stations were hemorrhaging red ink. The result was lackluster program content, which translated into lackluster ratings. Of course expensive productions do not guarantee ratings success, but DuMont was punished economically by having successful programs defect to competing program

distributors. According to Ingram (2001), after 1950, the network never had a prime time program ranked among the top 25.

During this critical time, Paramount Pictures refused to rescue its faltering TV network. One would think that a partnered movie studio would be an obvious source for quality programs. But Paramount did not envision an immediate return on such an investment and decided to remain exclusively in the movie-making business, thus forcing DuMont to fend for itself. Some historical observers, such as Ingram (2001) assert that Paramount felt threatened by the new entertainment medium and therefore, saw the network as more of a competitor than a partner. Today vertical Integration of media production and distribution is common. The movie production studios of Disney (ABC), Warner Brothers (WB) and Paramount (UPN) have seen the financial wisdom of investing in network television (Litman, 1998). To the contemporary industry observer, it seems astonishing that in the early days of television, the only network associated directly with a high-powered movie studio would be the one network that would go out of business.

By the fall of 1948, the DuMont network was a struggling but viable fourth network that still had a chance of survival. The key to the future was continued growth. More affiliated stations would translate into more potential audiences leading to more advertising dollars. What kept the competition reasonably fair was that all four networks were transmitting on VHF channels. At least from a technological perspective, there was parity among the four contenders, or so Mr. DuMont thought.

Signal Interference and Scarcity of Spectrum

That same year the FCC became increasingly aware that its channel allocation plan was inadequate and decided that further expansion of television should cease until a better plan was designed. At the heart of the issue was signal interference. As with the earlier introduction of radio in the 1920s, signal interference between two or more

stations operating on the same or nearly the same frequency resulted in an unacceptable weakening and distortion of all signals. The legal notion of *scarcity of spectrum* justified early government intervention in the development of electronic media. The 1927 Radio Act and later the 1934 Communications Act established a regulatory framework that remains essentially in tact today (Corn-Revere & Carveth, 1998). Section 303 of the Communications Act directs that the Federal Communications Commission to classify radio stations, assign frequencies and prescribe the nature of their services. (FCC, 1934, 47 C.F.R, 2.106) The Commission, in turn, established a Table of Frequency Allocations that covered every community in the United States. When television broadcasting was first authorized in 1941, the FCC assumed the same responsibilities for overseeing and allocating the TV spectrum. At that time, all television stations were assigned to VHF (Very High Frequency) - channels 1 through 13. UHF (Ultra High Frequency) channels would not be available until 1952 (Barnow, 1970).

Because of the problems of interference and the limited amount of spectrum available for station use, only a small number of stations could operate in any one community, and this restriction was far worse for television than radio. While many large U.S cities could accommodate a dozen or more radio stations, the number of TV stations was limited usually to no more than three VHF stations. Experiments demonstrated that additional stations caused overlapping interference problems (Hess, 1960)

In order to study the problem properly, the commission in 1948 instituted a temporary "freeze" on all station applications. What was intended to take only a few months actually took almost four years. During this time, all four networks posted losses but 1950 was the last year that DuMont remained on a financial par with its competitors. Beginning in 1951, the network would register ever increasing losses while NBC, CBS and ABC would show revenue gains each year despite the freeze (Hess, 1960).

By procrastinating for years on this issue, the FCC accelerated the fall of DuMont. Not only did NBC and CBS control more stations during these years, but they also had the added advantage of brand recognition. From decades of exposure on the radio, audiences and advertisers trusted these familiar media brands which led to enhanced ratings and revenue. Throughout the country, most of these early VHF television affiliations were created by existing radio operators with the same network affiliation. Often, the same station management and sales staff worked for both media (Auter & Boyd, 1995). DuMont, on the other hand, was the new kid on the block and had to work that much harder to legitimize his network with audiences and advertisers.

One of the primary philosophical concerns that arose during these FCC deliberations was how the "public interest" should be interpreted when assigning TV channels throughout the country. Because of the inherent scarcity of spectrum, the commission had to arrive at a formula that would solve not only the technological issues of interference but also the more abstract policy issues of serving a democracy. The final consensus was that as many individual communities as possible should receive allocations (Auter & Boyd, 1995; This egalitarian approach, though noble in its intent, would have a profound negative impact on the future of Mr. DuMont's network.

In order to satisfy this geographical mandate, the commission needed to go beyond the VHF spectrum and become involved in the perplexing world of UHF. According to many scholars, most notably Besen (1984), and Long (1979), faulty assumptions about the technology of television led to regulatory decisions that would devastate economically the UHF sector of American television. This misunderstanding would also assure the dominance of the Big Three for decades to come.

The UHF Problem and The Sixth Report and Order

When evaluating the quality of television signal reception, a simple rule of thumb is that the higher the channel number, the more difficult it is to transmit and receive.

Compounding this problem is that TV channels in the U.S are not contiguous along the same spectrum. Instead, there are two separated sets of channels; VHF (Very High Frequency channels 2 -12) and UHF (Ultra High Frequency channels 13 - 69). Confounding this separation is the fact that the entire FM radio band is positioned between channels six and seven. Under the best of circumstances, given the latest UHF receiving equipment for its time, watching UHF television in the 1950s was an ordeal.

When the 1952 Sixth Report and Order was made law, there was neither a single UHF transmitter nor a UHF home receiver in the country. UHF was merely a convenient untried solution for the ever-growing demand for channel allocations. During the freeze, DuMont took an active role in offering proposals for the Commission's master plan. Believing that UHF stations would have a distinct signal disadvantage compared to VHF, he proposed that all channels be UHF, relinquishing the VHF spectrum to other communications. An alternative proposal made by DuMont recommended that individual markets be either all UHF or all VHF, thus leveling the playing field on a market-by-market basis. Later, He proposed a third option wherein the nation's 50 biggest markets would be assigned a minimum of five VHF channels, with smaller markets receiving only UHF allocations. From a revenue standpoint, it was essential that DuMont be in the biggest markets with a competitive signal. He claimed that the worst scenario would be to have "intermixed" VHF/UHF markets where UHF stations could not compete effectively (Hess, 1960). In April 1952, DuMont's worst fears came true.

After a 43-month freeze, the Federal Communications Commission finally decided on a master allocation plan. The 1952 Sixth Report and Order established 1,769 commercial assignments within the U.S, distributed to approximately 1,200 communities. Of these, 498 were VHF and 1,271 UHF. One of the crucial theoretical underpinnings of the order was that it regarded UHF and VHF as equals. Despite the misgivings of Mr. DuMont and other experts, the Commission was convinced that even if there were some

initial handicaps, "there is no reason to believe that American science will not produce the equipment necessary for the full development of UHF" (FCC, 1952. p. 199). The Commission refused to allow what it perceived as transitory technical problems to "...obscure the long-range goal of a nationwide competitive television service" (FCC, 1952. p 200). Not all of the Commissioners agreed with the basic wisdom of the ruling. Commissioner Robert F. Jones was the most vocal dissenter. He stated that instead of solving a critical problem, the commission merely created "a bigger Frankenstein". Jones believed the UHF/VHF intermixture policy "arbitrarily and adversely affected the ability of UHF stations to compete." (Dissenter, 1952, p. 38; Bensen et al, 1984).

Three distinct decisions or non-decisions within the Sixth Report influenced directly the future of a fourth network. First, the commission was determined to assign at least one channel to each U.S Community, regardless of population density. Geography rather than population drove the allocation plan. Instead of allocating channels according to population density, where bigger markets would receive more allocations than little markets, the commission opted to distribute channels by geographical criteria and not by census data. The result was that hundreds of small communities were given channel allocations thus, reducing the potential number of stations that could be assigned to large densely populated cities (Auter & Boyd, 1995; Besen, 1984).

A second profound decision was that television markets could be "intermixed" with UHF and VHF stations. The typical market would be assigned a maximum of three VHF stations with UHF stations filling in the remaining allocations. Since the Big Three had already established VHF affiliations prior to the freeze, any additional networks, such as the struggling DuMont endeavor, would have to work almost exclusively with UHF operators (Hess, 1960). Because of the lack of UHF home receivers, Dumont was essentially denied equal access to important advertising markets. Problems with UHF reception would continue to haunt the industry for years to come. The upcoming

nationwide changeover from analog to digital television will in theory eliminate all lingering UHF / VHF intermixture problems in that all stations should have comparable signal delivery and reception characteristics regardless of channel number.

A third component that was conspicuously missing from the FCC ruling was a Federal mandate to all television set manufacturers to begin making receivers that were UHF compatible. Instead, the commission decided that market forces would address this potential problem without the need for government intervention. Later, we will see a parallel circumstance today where the commission has mandated a deadline for digital conversion for station operators but is reluctant to interfere with the standardizing and marketing of new digital television sets for the general public.

In the early 1950s the optimism and demand for UHF channels was huge and DuMont remained proactive by making a concerted marketing effort to win customers for his UHF transmitters, home receivers and of course his network programming. But while the number of new sign-ons was high, the rate of attrition was even higher. For example, in 1954, 25 new UHF stations went on the air, but in that same year 29 other stations ceased operations. This trend of more stations stopping rather than starting operations each year buttressed DuMont's dire predictions that UHF simply could not compete. From 1954 through 1955, the U.S Senate Committee on Interstate and Foreign Commerce held several hearings concerning the "Television Networks and the UHF-VHF Problem". Once again, was invited to plead his case before the government. A number of "deintermixture" proposals were considered for over a dozen major markets. After lengthy debates, the FCC failed to make changes in most of these cities and the core problems remained (U.S Senate, 1954 & 1955). Although acknowledging that it was a serious problem, the Committee was reluctant to "disturb existing VHF stations." The fact that these existing stations were predominantly CBS or NBC affiliates was not lost

by representatives of the struggling ABC and DuMont networks (Long, 1979; Krasnow et al, 1982).

Perhaps the single biggest handicap facing the new network was not signal transmission but rather *signal reception*. Even if DuMont had a sufficient number of live program clearances on a sufficient number of affiliated stations, there remained one Insurmountable obstacle - hardly anyone owned a TV set that could actually receive UHF. Furthermore, if someone did own a receiver with "all channel capability", the UHF tuning control and antenna were far more difficult to operate compared to the same devices intended for VHF reception. Long after the DuMont Network was only a memory, the UHF receiver problem continued to fester. By 1961, the production of all-channel television sets (capable of receiving UHF as well as VHF channels) had fallen to a record low of 5.5 percent of all new sets. Independent UHF stations (no network affiliation) were failing all over the country. The set manufacturers were reluctant to install voluntarily UHF hardware because the installation added to the overall cost of a set and there appeared to be little consumer demand for UHF reception. (Krasnow et al. 1982).

Finally, in 1962, the All-Channel Receiver Bill became law, requiring set manufacturers to provide UHF equipment beginning in 1964 - over a decade after the Sixth Report and Order was issued (FCC, 1962). The bill was essentially a compromise for UHF advocates. Successful, network-owned stations had no intention of forfeiting their VHF channel frequencies! (Long, 1979). Even with universal UHF receiving requirements in place, it would be almost another decade before UHF/VHF dial-tuning standards (location, legibility, and accuracy etc.) would be enforced (FCC, 1962 & 1973). More stringent UHF video noise levels ("snow") for TV receivers were finally implemented in 1979.

The Dike Breaks

By 1953 the DuMont Network was in serious financial trouble. As one DuMont executive put it "The dike was crumbling and we didn't have enough thumbs..." (Hess, 1960, p. 86). While in the beginning, all four networks endured heavy loses, by the early 1950s both CBS and NBC were registering respectable profits. DuMont, however, continued down the slippery slope of financial ruin. The income from the manufacturing divisions could not adequately offset the huge loses of the network. DuMont's nearest competitor, the ABC Network, was experiencing similar problems, but in February 1953 a merger with Paramount Theaters rescued ABC by injecting a much needed $30 million into the operation (Hess, 1960). The reader needs to distinguish between Paramount Pictures, which owned half of DuMont, and Paramount Theaters, which was a completely different company formed in 1949 as a result of a federal anti-trust suit. The Paramount Theater / ABC merger made certain that ABC would soon become the undisputed "third network" with DuMont bringing up the rear in fourth place - if there was a fourth place (Long, 1979). Meanwhile, for reasons that one can only speculate on, the purse strings at Paramount Pictures remained tied. Having benefited greatly from impressive stock appreciation during the early years of the company's existence, the movie studio now appeared reconciled to taking a loss with the network subsidiary (Hess, 1960). The substance of Dumont's decision-making became ever more reactive as he attempted to save his "crumbling dike." The most obvious tactic was cost cutting involving the production of programs. Regrettably, poor production values resulted in poor ratings, which in turn stimulated more cost cutting.

Another dilemma facing DuMont was that many stations affiliated with more than one network and in most cases, DuMont was the second choice. Videotape had not been invented yet and so all network programs were fed live to their affiliates. A program could not be delayed (ie. recorded) by a station and telecast at a different time. As live

clearances on the DuMont Network dwindled, so did advertising revenues. Today, networks are still faced with the threats of station *preemptions* when the management of an affiliated station decides not to clear a network program and replaces it with a locally produced of syndicated program. The reasons for preemptions are many, but the consequences for a network are the same. National advertisers are deprived of commercial exposure in certain markets thereby provoking them to demand lower commercial rates from the network (Ferguson, 1997).

Compounding the problem of poor program clearances was issue of interconnecting stations. Around this time, AT&T was charging DuMont for cable connection time that was not used. Each of the four networks was required to purchase eight hours of expensive connection time daily. While this was no problem for NBC and CBS, which broadcast 7:00 AM to 11:00 PM, DuMont 's live programming load was significantly less (Shapiro, 1989). DuMont executives pleaded for relief but were unsuccessful (Hess, 1960). Once again, the response to a crucial problem was a calculated non-response.

In 1954, DuMont entered into a contract with Westinghouse Broadcasting to sell WDTV, Pittsburgh for $9,750,000 (Hess, 1960). Although the sales generated needed cash, the loss of one of the DuMont flagship stations sent a message to the broadcasting and advertising industries that the condition of the DuMont Network was terminal. After coping with untried technology and frustrating regulations, DuMont had to endure the often ruthless actions of national advertisers. The economic soul of commercial broadcasting is the selling of audiences to advertisers and regardless of the zeal and tenacity of DuMont and his management team, the network could not deliver sufficient "product" at a competitive price to remain in business. On October 10, 1955, America's original fourth network ceased operations. A few years later, the individual

DuMont-owned television stations were sold to a new group owner. Alan B. DuMont died in 1965.

## Fateful Decisions

Employing a typical case study teaching methodology, the DuMont story would conclude at this point and students would be asked to ponder and debate the management decisions surrounding the episode. An alternative approach, and the one selected for this article, is to have the author of the case study continue the project with personal analysis and commentary.

Returning to our earlier definition of decision-making provided by Sohn, Wicks, Lacy & Sylvie (1999) - The allocation of scarce resources by individuals or groups to achieve goals under conditions of uncertainty and risk - we can see readily that the DuMont story was one of juggling finite resources to contend with frustrating regulations and a risky new technology. Furthermore, we can see that over time, Dumont's decisions shifted from proactive, where he was hoping to capture a place at the table with the Big Three networks, to reactive, where he was working desperately to cope with an unresponsive government and a skeptical business community.

Just as physicians need to separate symptoms from causes when diagnosing an ailment, so should business analysts be sensitive to symptomatic correlations versus genuine causal agents of change. For example, a supposed "cause" of DuMont's decline was its decreasing cash flow from national advertisers who decided that the network was no longer a wise purchase, but this decline in revenue can also be defined as a mere symptom of disappointing ratings caused by poor UHF reception in American Homes. Additionally business historians and case study writers should acknowledge that causal factors often interact so that their impact must be seen in combination rather than as mutually exclusive variables. Given these caveats, several fateful decisions can be

derived from this case study. Enveloping many of these decisions is the notion of decision *paralysis* discussed earlier, where outside parties refused to either (a) recognize the gravity of a problem or (b) refused take sufficient and timely action to resolve a problem.

The first fateful decision was Dumont's partnership offer to Paramount Pictures. This short-term solution to an immediate cash problem would cause an even worse drain on the company's equity. Despite the fact that Paramount had considerable financial and creative resources, the movie studio never provided additional assistance beyond its initial investment. The symptoms of this benign neglect would be revealed in the low-budget, lackluster programming. Had DuMont chosen a more empathetic and generous partner, the network may have had a better chance to compete with ABC to capture at least the third position in the future Big Three oligopoly. However, it should be noted that it was not until the late 1970s that ABC achieved ratings and revenue parity with CBS and NBC (Auletta, 1991).

The FCC decision denying DuMont the opportunity to purchase additional stations placed the company at a competitive disadvantage. Again, Paramount worsened the situation by not capitalizing on the ownership and affiliation of its two stations in Chicago and Los Angeles. In reality, DuMont had only three genuine owned and operated stations under his control while CBS, NBC and ABC each had five. The most obvious symptom of this handicap was less revenue from advertising. One could speculate that two more major market stations might have provided DuMont with sufficient operating cash to keep on fighting. Paramount's decision not to affiliate its two stations with the DuMont network added insult to injury.

Multiple decisions contained within the 1952 FCC Sixth Report and Order had dire consequences on the network's ability to compete effectively against CBS and NBC. As discussed in prior sections, the geographical intermixture of VHF and UHF channel

allocations resulted in CBS and NBC having a huge advantage in signal transmission and reception. The inability of DuMont to achieve a strong UHF presence in major markets caused the network to be less attractive to advertisers, which resulted in the predictable symptoms of disappointing commercial rates and unrealized sales budgets.

While some scholars have implied that the Sixth Report and Order was a regulatory blunder, there is room for some empathy for the FCC. In order to accommodate demand, exploitation of the UHF spectrum was inevitable. Perhaps, the commissioners were a bit naive in their optimism and predictions for the future but the opening up of the UHF frontier was bound to come, just as the transition to digital is only matter of when. DuMont's proposals of forfeiting all VHF allocations would have been disruptive to not only the industry but also the millions of ordinary Americans who had purchased already VHF-only units before 1952. Should their newly purchased TV sets have been declared completely obsolete? DuMont's segregated all-VHF /all-UHF market proposal was also inappropriate. In our highly mobile society, imagine an American family moving to a new city and discovering that their "old" VHF TV set, which operated just fine in St. Louis is now totally inoperable in Peoria because all the stations there are UHF. Additionally, the commission's desire to serve every community with a minimum number of channels still has merit philosophically if not economically. One can argue that the commission had a to make difficult decisions, any of which carried some type of negative side effect. It is no wonder that the imposed freeze lasted so long. However, in terms of dealing with set manufacturers, the commission appears to have had fewer excuses.

A fateful decision that some consider the ultimate cause of the network's collapse was the decision by the FCC and congress to allow natural market forces to dictate when TV set manufactures would install UHF reception hardware. The result was that the VHF-dominated networks of CBS, NBC (and to some degree ABC) captured the

hearts and minds of the viewing public, while DuMont languished in technological obscurity. By the time the commission finally acknowledged a UHF crisis, the legal rescue orders to the manufacturers were too little too late for the DuMont network.

To a lesser degree, several other factors contributed to the eventual shutting down of the network. These include excessive ATT transmission rates, dual affiliation agreements, low-budget programs and even Dr. DuMont's somewhat abrasive personality. But these factors are more symptomatic or incidental when compared to the crucial technological problems surrounding UHF television.

## Fox Prevails

In December 1955, the DuMont owned stations were severed from the parent DuMont Laboratories and given a new name, Metropolitan Broadcasting. In 1959 the stations were sold outright to Mr. John Kluge. These stations became the nucleus of a successful broadcast group that would eventually expand and change its name to Metromedia (Brown, 1977). In an ironic twist of broadcasting history, billionaire Rupert Murdoch would purchase these former DuMont stations to form the backbone of a new fourth network - the Fox Network.

From the demise of the DuMont Television network in 1955 though the early 1980s, there were a few meager attempts to establish a fourth network but none succeeded (Ingram, 2001). In 1986, Murdoch decided that the time was ripe for another assault on the Big Three. With viewer ratings slipping away to cable, the management of the three established networks appeared to be in disarray and therefore, vulnerable to attack (Auletta, 1991; Harmetz, 1986). Murdoch recognized the risks but took a highly proactive decision-making posture whereby he was willing to accept huge financial losses over the short term in order to create a new network. After purchasing stations from Metromedia, he launched the Fox Network in the fall of 1987 with108 affiliates,

most of which were UHF facilities (Fox, 1987). Why did Fox prevail where DuMont failed so miserably 30 years earlier?

First, by the mid 1980s, Independent UHF television had gown into a mature business, surviving on proven counter-programming strategies that emphasized children's programming, movies and sports (Aiken & Affe,1997) . Many stations had been on the air for over 20 years and the industry had groomed a generation of experienced managers. Additionally, the FCC granted several important business concessions to independent UHF stations, including exclusion from the Prime Time Access Rules (PTAR) on airing off-network syndicated programs

Secondly, UHF technology had come a long way since the 1950s. Station transmitters were more powerful and more importantly, all home television sets could now receive UHF channels. Had the physics of over-the-air television not been so troublesome, the DuMont saga may have had a happier ending.

Cable television became both a competitor and a friend to UHF stations during the 80s. Cable was an obvious competitor for audiences, but cable also provided high quality signal reception. The FCC mandated "retransmission" by cable systems of all local station programming has lessened over-the-air reception problems, particularly for distant communities (Corn-Revere & Carveth, 1998). The same retransmission guidelines will soon be imposed on satellite-to-home programming services.

Murdoch was also shrewd enough to realize that a new network would need to be unique in terms of program content. Many industry observers credit Fox for being the first network to truly develop a distinctive brand image. Its irreverent, youth oriented programs, such as "Married With Children" would reaffirm the network's intention of becoming an obvious programming alternative for audiences and advertisers. Capitalizing on the highly recognizable Fox brand name was also no accident. (McDowell & Batten, 2000). DuMont never had an overarching programming strategy

that would position his network as truly unique compared with his three competitors. Also the DuMont name meant little or nothing to the general public except that the company manufactured television sets.

Fox also had the financial advantage of an owner with deep pockets. In addition to providing much needed capital to the internal network operation, Murdoch also tempted stations to switch affiliations by offering substantially higher network compensation fees than what the Big Three were offering affiliates (Litman, 1998). Murdoch's numerous holdings in print media and movie studios enabled him to absorb network losses for many years that totaled in the hundreds of millions of dollars. Unlike DuMont who relinquished much managerial control to Paramount Pictures in exchange for much needed cash, Murdoch kept all transactions under his decision-making authority. He continued to be the primary decision-maker as the network grew and prospered. In summary, the interaction of managerial experience, friendlier technology, cable retransmission, strategic programming and a willingness to invest for the long term enabled Fox to establish itself as a competitive fourth network. However, the stigma of UHF would remain.

The Fox Network and UHF

Even in the high tech 1980s and 90s, with better home receivers, more powerful transmitters and high cable penetration, UHF remained the ugly stepsister of VHF. In general, VHF stations still generated more ratings than UHF stations, regardless of network affiliation (Block, 1990). Part of Murdock's master plan for upgrading the Fox Network was to acquire as soon as possible several major market VHF station affiliates. Of course this meant that he was willing to abandon any current UHF Fox affiliates that got in the way (Coe, 1994). Murdoch's first assault occurred in 1993 when he invested $500 million in New World Communications, a station group owning 12 major market VHF stations. The crucial component of the purchase negotiations was a promise by

New World that all its stations would forsake their current network affiliations (ABC, CBS, and NBC) and join the Fox network family of stations. This move plus the acquisition by Fox of NFL football in 1994 stimulated more station defections in other markets. A new Fox affiliation forced other stations in the same market to change their affiliations. When the dust settled, 68 stations in 33 markets had swapped affiliations. In terms of acquiring new VHF stations, the big winner was Fox. (Donaton, 1994;Schmuckler, 1994).Thirty years earlier, DuMont's attempts at persuading VHF stations to switch network affiliations were far less successful.

Fast-forward to 2001

American television today is embarking on a technological transition that rivals what occurred in the 1950s. According to Seel & Dupagne (2000), this metamorphosis from NTSC analog transmission to digital television (DTV) will cost billions of dollars but the benefits will be many, including wide screen high definition pictures (HDTV), viewer interaction and simultaneous Internet access. From a networking perspective, DTV will also offer stations the option to circumvent one-channel HDTV in favor of broadcasting multichannel standard-definition format (SDTV). Using these six or more additional channels, stations will join forces to form ad hoc digital networks that may or may not be associated with their former primary network. For example, ABC is considering the creation of a pay-movie network where its affiliates would contribute one of their SDTV channels to this second revenue stream (McClellan, 2001b). Of course the cable industry is most reluctant to accept these added channels for carriage without some kind of compensation. As of this date, the FCC has not offered a formal mandate.

There are several crucial components of this changeover that are reminiscent of the 1952 Sixth Report and Order in that (a) all stations in the United States must change their channel assignments to accommodate a new technology and (b) American consumers are also expected to invest in this transition. In 1990, the FCC outlined a

simulcast strategy whereby broadcasters will transmit both the new DTV signal and the existing NTSC signal concurrently for a period of time, at the end of which the NTSC channel would be discontinued (The current deadline is December 2006). In 1998, the FCC put the final touches on its *Table of Allotments,* which includes digital channels 2 through 51. The exact deadline has been debated for some time but the unavoidable result will be that at some point in time, all existing station production and transmission equipment must be replaced. More importantly, this replacement process includes all home television receivers. Here again, we will see an historic parallel with the development of UHF television. Today, many broadcasters complain that with so few homes owning digital receivers, the timing of the transition needs to be reconsidered. On the other hand, digital set manufacturers complain that with so few digitally enhanced programs on the air, consumer sales are poor. As of this date, there is no government-imposed deadline as to when all newly manufactured sets must be digitally compatible.

This case study maintains that the lack of home UHF capable receivers was the single most important contributing factor to the demise of the DuMont Network. Looking at the approaching changeover of American television from analog to digital, one can envision a similar dilemma. That is, until the general public purchases digital TV sets and the cable industry agrees to carry multiplexed station channels, the promise of DTV will not be realized.

## Enduring Lessons to Be Learned

In terms of pure history, this article was never intended to supplant earlier scholarly work examining the demise of the DuMont network. Instead, it mined this body of knowledge and generated a different frame of reference, namely a comparison with similar contemporary industry issues involving new technology, advertiser-based business models and regulation. Below are some enduring lessons to be learned.

Beware of Irrational Exuberance.

Decisions based on great expectations have a way of turning into grave disappointments. The FCC's optimistic belief in the technical viability of UHF television was based more on wishful thinking than on clinical trails. DuMont suspected that UHF could not compete head to head successfully with VHF and begged the commission to reconsider its mandate but to no avail. After requiring the intermixing of UHF and VHF television stations throughput the country, the commission presumed that TV set manufacturers on a voluntary basis would quickly add UHF tuning devices. In another case of misplaced optimism, the FCC guessed wrong and DuMont's predominantly UHF network was forced to broadcast programs that simply could not be seen by most set owners in the U.S. Today, engineers representing the television industry and the government continue to argue over digital standards and protocols. Remembering the frustrating history of UHF, all concerned parties should explore not only the promises but also the pitfalls of introducing a new technology.

Procrastination is a Sin

Deciding not to decide can cause unintended consequences. Twice DuMont was the victim of unwarranted delays, which hurt severely his survival prospects. First, the 1948 - 1952 "freeze" on new license allocations halted much needed expansion for the struggling network. Only by getting bigger could DuMont attract more audiences and thereby generate more advertising revenue. NBC and CBS rode out the storm much better with their larger station groups and integrated radio management.

A second long overdue decision by the government involved the manufacture of UHF compatible TV sets. With so many UHF stations failing every year, it seems astonishing (and suspicious) that congress and the FCC waited so long. Moving ahead several decades, we have a similar situation where the government is involved in setting deadlines for the digital changeover for television operators but is reluctant to interfere with the manufacture and marketing of consumer sets. As this paper was submitted for

review, the media trade publications indicated that the original deadlines appeared unrealistic and that a delay in implementation was inevitable (McClellan, 2001a). An editorial in Broadcasting and Cable pleaded for "just a little more time" (Editorial, 2001, p. 74). Concerned congressional leaders, such as Senator John McCain were desperately seeking ways to motivate broadcasters to "get back on track "(Tauzin, 2001, p. 3).

Sometimes a Free Market Can Stifle Competition

Allowing economic solutions to be decided by a free and open market sometimes can be as damaging as depending exclusively on the government to come up with solutions. A case in point was the ruthless attitude of the Big Three networks towards DuMont. The majority of CBS and NBC owned and affiliated stations broadcast on VHF channels and therefore, showed no enthusiasm for stimulating any real competition from their new UHF network competitor. When dozens of UHF stations were going dark, The Big Three opposed vociferously any "deintermixing" proposals to stop the calamity. Similarly, the established VHF networks stalled for years the enactment of the All Channel Receiver Bill. Oligopolies do not want additional players in the market. Without watchdog government agencies, such as the FCC, the Federal Trade Commission (FTC), and the Department of Justice (DOJ), unencumbered free market broadcasting could cultivate its own brand of economic tyranny.

The political fallout from the 1996 Telecommunications Act is another case in point. Although intended to enhance competition and customer service through deregulation of media ownership, the actual results have some critics howling. For example, the radio industry has experienced massive ownership consolidation that has led allegedly to the loss of local program diversity (Leeper, 2000). Because the upcoming move from analog to digital television and radio will be so expensive for some

stand-alone stations or small group owners, more corporate mergers and consolidations are likely in the near future.

Size Matters.

Although Mr. DuMont was able to draw financial resources temporarily from his other related businesses, such as his tube and transmitter manufacturing subsidiaries, he did not have the requisite deep pockets to sustain his struggling network. Furthermore, his partnership with Paramount proved to be a disappointing attempt at getting bigger in a hurry. Conversely, NBC, CBS and ABC all had corporate revenues and management structures that could withstand the financial drain related to starting up any capital-intensive business.

Today, the cost of admission for just about any media endeavor is very high and start-up companies need to be honest with their investors that the profit horizon may be far away. The recent collapse of so many dot.com businesses is a symptom of the same problem of unfulfilled short-term promises. In general, a big company with diversified media interests is more willing to sustain a new venture than a smaller company with limited reserves. Despite DuMont's millions, he still was not wealthy enough to launch single-handedly such a daunting project as a new television network. The only reason the Fox Network survived during its early years was that multi-billionaire Rupert Murdoch decided to absorb willingly staggering losses.

As mentioned earlier, the transition to digital will be expensive and many small market TV stations have threatened to sell out to media giants that can better absorb the financial burden. The economies of scale will always play a role in media decision-making.

Advertisers Have No pity.

A television network can invest millions into technical facilities, personnel and programming and acquire dozens of affiliated stations to distribute its programs, but if

nobody is watching, the entire business venture collapses. The true value of a network and the ultimate source of all profits are decided upon one intangible asset - audiences. For DuMont, cash flow was dependent on audience flow. Advertisers are indifferent to the financial troubles of the media. As a savvy businessperson, DuMont was not surprised when national advertisers failed to rescue his floundering network. Start up networks today should never forget that no ratings equal no revenue.

Conclusion

Two common threads of understanding found in all of the above enduring lessons is that after more than a half-century, broadcast management is still about content and distribution. Although, DuMont had the power to make important program content decisions, he was burdened with problems beyond his control in the troubled area of program distribution. The loss of advertising revenue, the loss of station affiliations and ultimately the loss of viewers can all be traced back to the singular obstacle of trying to distribute programs using UHF technology. Program content has no value if an audience cannot see it. Similarly, the promise of digital TV will not be realized fully until audiences have the opportunity and motivation to watch.

The digital transition shows signs of decision paralysis. Station operators, set manufacturers, content providers, distributors, regulators and viewers are all glancing at one another, waiting for somebody to break the inertia by making a decisive move.

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# The Impact of Competition on Weekly Newspaper Advertising Rates

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# The Impact of Competition on Weekly Newspaper Advertising Rates

by

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This national study of 432 weekly newspapers found that competition from other weeklies in a county was correlated with a lower cost-per-thousand ad rate. However, when a subsample of 236 weeklies with intense competition was analyzed, this relationship with cost per thousand disappeared. Instead, the data showed that as competition became more intense, a weekly's open-column-inch ad rates decreased. Also, when market size was control for, ad rates for paid weeklies did not different from free weeklies' ad rates.

Daily newspapers have experienced a continuing decline in circulation during the past 60 years for a variety of reasons.[1] In contrast, weekly newspapers are thriving. Their circulation rose from about 40 million to 75 million in the last 20 years. Free weeklies account for three-quarters of it.[2]

Despite the rapid growth of weeklies, research on the effects of newspaper competition on advertising rates has focused primarily on dailies. This is difficult to understand given that weeklies are competitive with dailies and among themselves for household penetration in counties outside metropolitan areas.[3] Whether or not this competition for readers extends into the advertising market warrants investigation.

The purpose of this study is to expand knowledge about the relationship between newspaper competition and advertising rates by examining a national probability sample of weekly newspapers. This is a replication and extension of two small sample studies conducted a decade or more ago.[4] In addition, this study will explore the relationship between weekly and daily competition and advertising rates.

### *Theoretical Framework*

Microeconomic models of perfect competition predict that advertising prices should become lower as competition increases.[5] But this model assumes many sellers, and weekly newspapers in competitive markets usually have only one or two competitors, if they have any at all. The oligopoly model provides better context for analyzing weekly newspapers because it assumes only a few sellers in a particular market.[6]

In an oligopoly, prices are affected by sellers' behavior. If sellers act independently of competitors, prices are relatively low, as in competitive markets. In such markets, if sellers do not anticipate that competitors will respond to their price reduction by similarly lowering prices, a "price war" can force down market prices. However, when sellers consider competitors' responses, they keep prices high to avoid a price war. Market prices remain high as in a monopoly.[7]

Although analogous to the illegal act of price collusion, anticipating competitors' actions is an informal and legal understanding between firms.[8] Weekly newspapers may choose to operate as if they exist in either a competitive or monopolistic environment.

However, newspapers are joint products that serve two connected markets: a circulation market and an advertising market. It is not price alone that determines advertiser demand. Just as important as price is the number of readers reached by the ad. Advertisers want to know how many readers they can expect to reach for a given price. This advertising reach is typically measured as the advertiser's cost to reach a thousand readers. Newspapers can adjust this cost per thousand by changing the circulation or by changing the price.

Being a joint product increases the likelihood that competition will affect advertising price. If a newspaper finds itself behind in the circulation market, it can lower its advertising rates to become a more attractive purchase. The leading paper might follow suit. The competitive drop in advertising rates is not likely to go too far because the newspapers can end up losing money.

### *Literature Review*

The degree of market power often is raised in the examination of advertising pricing in newspaper competition. High levels of concentration may contribute to independence in the setting of rates. Several studies of dailies have found that newspaper monopoly creates higher advertising prices.[9] Other research has shown that competition lowers cost-per-thousand advertising rates.[10]

Fewer studies have examined weekly advertising rates. In a recent national study of the weekly newspaper industry,[11] Coulson, Lacy and Wilson found that the cost-per-thousand advertising rate differed among the various types of weeklies when they controlled for circulation. Group-owned weeklies were able to charge more than their independently owned counterparts, and paid weeklies charged more than free weeklies, which corroborates a 1991 case study by Lacy and Dravis.[12]

The Lacy and Dravis study used weeklies in Michigan and was a replication of Blankenburg's 1980 Wisconsin study.[13] Blankenburg used the open line rate as the dependent variable and the distance between competing weeklies as a measure of competition.[14] The assumption was that the closer two weeklies are, the more likely they are to compete. Blankenburg found no impact of competition, but he used circulation as a control variable. A controversy exists among economists as to whether circulation should be used as a control variable or whether it should be incorporated into the dependent variable as a cost-per-thousand rate.[15]

The Michigan study used the number of weeklies in a county as the measure of weekly competition and replicated Blankenburg's findings of no relationship between competition and the open line rate. However, the cost per thousand also was used as the

dependent variable in a second regression equation, and a negative relationship was found between the number of weeklies in a county and the cost per thousand. As the number of weeklies in the county increased, cost per thousand decreased.

Two studies of dailies have examined monopoly and ad rates. One concluded that monopoly does not lead to increased daily newspaper advertising rates.[16] But it used circulation as a control variable and examined line rate rather than rate per thousand as done in some other research.

Another reported that newspaper monopoly did not have a significant effect on weekday advertising rates per thousand, but it did with the Sunday edition.[17] In many ways, the Sunday edition acts as a weekly because people will buy it and not the weekday editions. Also, the results may have been affected by the use of a dummy variable, instead of an intensity measure, for daily newspaper competition. Competition intensity has been shown to be a better measure of the impact of competition.[18]

How competition affects advertising rates might reflect the process by which businesses buy advertising space and newspaper publishers set ad rates. A surprising number of publishers appear to set and adjust their advertising rates based on their instincts. Shaver noted an inconsistency in rate setting due to subjective criteria such as "perceived competition for advertising dollars" and "intuition as to what the market will bear."[19] Correspondingly, Smith found most local advertisers in smaller markets were unsophisticated and often selected media for reasons that defied logic.[20]

However, as the growth in numbers of electronic media outlets intensifies competition for advertising, newspaper groups are adopting sophisticated marketing and

pricing strategies for their weeklies. The goal is to use economies of scale to reduce costs, increase penetration and generate more advertising revenues.[21]

Weekly newspapers not only face competition from other weeklies and electronic media but also from dailies headquartered outside their home markets. The impact of this umbrella competition on advertising remains relatively under investigated. A 1985 survey of publishers in the Southwest found at least a moderate level of competition between dailies and weeklies for advertising revenues in metropolitan areas.[22] A more recent study of the impact of intermedia competition on newspaper ad linage reported a relatively small effect of weekly penetration in a market on total daily ad linage and ROP ad linage. However, the markets showed a very large variance, which indicates weekly penetration probably affects daily ad linage in at least some markets.[23]

### *Hypotheses*

The following hypotheses are based on the earlier state studies of weekly competition and advertising rates and research about umbrella competition for circulation.

*H1: As weekly competition increases in a county, weekly newspaper ad rates will decrease.*

*H2: As weekly competition increases in a county, weekly newspaper cost-per-thousand ad rates will decrease.*

These two hypotheses reflect the previous studies by Blankenburg and Lacy and Dravis.[24] The second hypothesis was supported by the Lacy and Dravis study, and the

first was not supported by either study. However, these two studies used limited samples. This study will test the hypotheses using a national probability sample.

*H3: As the penetration of non-metropolitan daily newspapers within a county increases, weekly newspaper ad rates will decrease.*

*H4: As the penetration of non-metropolitan daily newspapers within a county increases, weekly newspaper cost-per-thousand ad rates will decrease.*

*H5: As the penetration of metropolitan daily newspapers within a county increases, weekly newspaper ad rates will decrease.*

*H6: As the penetration of metropolitan daily newspapers within a county increases, weekly newspaper cost-per-thousand ad rates will decrease.*

These four hypotheses test whether umbrella competition affects advertising rates and cost-per-thousand ad rates. A relationship has been found between penetration of newspapers in one umbrella layer and penetration of newspapers in another, but there has been little examination of umbrella competition in the advertising markets away from metropolitan areas.

*H7: Paid weeklies will change higher ad rates than will free weeklies.*

*H8: Paid weeklies will charge higher cost-per-thousand ad rates than free weeklies.*

These hypotheses test whether paid weeklies differ from free weeklies in the ad rates and cost-per-thousand ad rates they charge. A relationship between paid weeklies and higher rates was found in two studies.[25]

### *Method*

This national study included 432 weekly newspapers from 373 randomly selected counties outside of the central counties in metropolitan areas. Central metropolitan counties were excluded because of the complexity of the markets. Such markets often have two metro dailies, magazines, alternative and ethnic weeklies and dozens of radio and television stations that complicate the market structure. Isolating geographic markets under these circumstances is difficult to do. Differences in umbrella circulation competition have been found between metro and non-metro areas.[26]

The sample was randomly selected from a larger sample of 1,027 counties. The resulting 432 weeklies represent about 5% of the approximately 8,200 weeklies in the United States in 1997. The larger sample was part of another study and was selected through proportionate stratified sampling. Counties in the larger sample were selected based on the proportion of all U.S. counties found in the state. So, if a state had 2% of all U.S. counties, 2% of the counties in the sample came from that state. Forty-seven states were represented in the sample used in this study.

The data for weekly newspapers were taken from state press association directories, *Editor & Publisher International Year Book*[27] and *Bacons' Newspaper Directory*.[28] Data for county penetration of metropolitan and non-metropolitan dailies were taken from *Newspaper Circulation*.[29] Data were used from 1997 because that was the most recent year that data from all the sources were available.

The advertising rates were the open-column-inch rates that were provided by the individual newspapers to the various year books mentioned above. The cost per thousand

was defined as the open-column-inch rate per 1,000 readers. It was calculated by dividing the column-inch rate by circulation and multiplying by 1,000.

Competition with metropolitan dailies was measured by the county penetration of metropolitan dailies, and competition with non-metropolitan dailies was measured by the county penetration of non-metropolitan dailies. These measures were used in previous studies of competition for readers.[30] Although markets rarely conform perfectly to county lines, there is reason to believe this geographically defined market will be adequate for this study. First, the use of counties outside the central county of a metropolitan area decreases the probability that the non-metro daily circulates extensively outside its home county. Second, the increasing cost of delivering newspapers from the production plant tends to limit circulation areas for most of the non-metro newspapers. Third, shoppers tend to do most of their purchasing within counties when these counties are located outside metropolitan areas. Fourth, counties are the largest governmental boundaries below the state level and lend themselves to news coverage that affects the residents in the county.

Metropolitan dailies were defined as newspapers that published five or more days a week, provided a great deal of regional and national coverage, and had significant circulation throughout the state or region. Non-metropolitan dailies were all newspapers that published five or more days a week except metropolitan dailies. Weekly newspapers were all newspapers that published fewer than five days a week.

The competition variable for weeklies was a variation of a competition index first developed in a 1987 study of dailies.[31] Here, the absolute value of the weekly newspaper's penetration minus the penetration of other weeklies in the county was used

as a measure of competition. The index assumes that newspaper managers would increase their reaction to a competitor as it comes closer to having an equal share of the market. If a weekly has a huge penetration lead or is very far behind, it is not as likely to adjust advertising prices as it would be if competitors had close to the same market penetration. The value associated with the most intense competition is a zero. The larger the number, the lower the competition intensity.

This competition measure seemed to be better than the distance to the closest weekly measure used by Blankenburg and the number of other weeklies in a county used by Lacy and Dravis. Neither of these provides as valid a measure of substitutability as a measure using relative market penetration. The assumption of using penetration is that the greater the penetration of other newspapers, the more likely that readers are substituting among these newspapers. Low penetration rates by competitors would indicate that readers do not find those competitors to be good substitutes. The correlation between the competition index and the number of other weeklies equaled .087 in this study, which indicates they measure two different concepts.

Whether a weekly had free or paid circulation was treated as a dummy variable. Weeklies that had 50% or more of their circulation paid were given a one, and those that had less than 50% of their circulation paid were given a zero.[12]

Control variables used in this analysis were number of county households and the county penetration of the weekly being studied. These two were used in lieu of weekly circulation because of the tendency in previous studies for circulation to overwhelm all other variables in the impact on the dependent variables. Circulation is a measure of newspaper size, but it is highly correlated with market size. In this study, number of

county households and circulation had a .817 correlation. So, the number of households in the county was used as a control variable. To measure the degree of market power the weekly under study had, the county penetration of the newspaper was used. This also was included in the Lacy and Dravis study.

The data were tested for violations of regression analysis assumptions. Outliers, which were defined as cases more than three standard deviations from the mean, were found in each variable. The outliners were corrected by reassigning the value of three standard deviations from the mean. Even after reassigning values, the skewness measure for households in the county still exceeded 2, so the natural log of households was used in the regression equations.

Second, scatterplots of residuals against each of the dependent variables were plotted in order to check the normality assumption. All of the variables were within acceptable ranges because the residuals were randomly distributed with no pattern and with equal variance as the dependent variables increased. The data were consistent with the assumptions of normality, linearity and homoscedasticity of residuals.

Next, before running the ordinary least squares multiple regression analysis, correlations among independent variables were checked to avoid multicolliniarity. Independent variables were not highly correlated with each other and were used for the regression analysis.

### *Results*

The weeklies included in this study had an average circulation of 4,717 with a standard error of 243. The average open-column-inch advertising rate was $5.51 with a

standard error of $.14, and the average ad rate per thousand equaled $2.10 with a standard error of $.08.

The weeklies' penetration averaged 44% with a standard error of 2.09%. Non-metro daily penetration averaged 39.3% with a standard error of 1.14%, and metro daily penetration equaled 8.25% with a standard error of .57%. Eighty-seven percent of the weeklies were paid, and the average competition index was 58 with a standard error of 2.3.[33]

Table 1 shows the Pearson product moment correlations of the variables used in the regression equations. The correlation coefficients show support only for hypothesis eight, but these coefficients express relationships before controls were introduced.

INSERT TABLE 1 ABOUT HERE

Hypothesis one states that as weekly competition increases, ad rates will decrease. Data in Table 2 do not support this hypothesis. The relationship between the competition index is negative and does not reach statistical significance. Because the index measures high competition as numbers approach zero, the negative sign on the regression coefficient and beta weight indicates that the price of ads increases as competition increases (index gets lower). However, the relationship is probably a result of sampling error. Therefore, the null hypothesis cannot be rejected.

INSERT TABLE 2 ABOUT HERE

Hypothesis 2 states that as weekly competition increases, the ad rate per thousand readers will decrease. This hypothesis is supported by data in Table 3. The regression coefficient shows that for each reduction of 1% in the competition index, the weekly rate

per thousand decreased by $.006. In effect, a monopoly would charge 60 cents more for a column inch of advertising per 1,000 readers.

The part correlation squared equals about .025, which means the unique variance shared between the dependent and independent variable is 2.5%. The relationship is statistically significant at the $p < .001$ level.

INSERT TABLE 3 ABOUT HERE

Hypothesis 3 states that the ad rate will decline as the penetration of non-metro dailies increases. This hypothesis is not supported. Data in Table 2 show no statistically significant relationship between these two variables; the null hypothesis cannot be rejected.

Hypothesis 4 states that the ad rates per thousand will decrease as the penetration of non-metro dailies increases. This hypothesis is not supported because a statistically significant positive relationship is shown by data in Table 3. For each 1% increase in the non-daily penetration in a county, the cost per thousand increased by 1.3 cents. The null hypothesis can be rejected, but the relationship is in the opposite direction hypothesized.

Hypotheses 5 and 6 state that as the penetration of metro dailies in a county increases, the ad rate and the ad rate per thousand readers will decrease. Data from tables 2 and 3 show no statistically significant relationship between penetration of metro dailies and either measure of advertising rates at weekly newspapers. The null hypotheses cannot be rejected, so the research hypothesis is not supported.

Hypothesis 7 states that paid weeklies will charge higher advertising rates than free weeklies. Data in Table 2 show a statistically significant negative relationship. The

hypothesis was not supported. A paid weekly was associated with a 4.2-cent decrease in the price of an open line rate.

Hypothesis 8 states that a paid weekly will have a higher cost per thousand than a free weekly. Data in Table 3 support this hypothesis. The regression coefficient indicates that a paid weekly increased the cost-per-thousand rate by about 58 cents over a free weekly, However, the standard error was fairly large at 23.6 cents. The relationship was statistically significant at the $p < .05$ level.

The strongest relationships for ad rates were between the natural log of the number of households in the county and the county penetration of the weekly. Both were positive with a part correlation of .471 in the former relationship and .262 in the latter. The strongest relationships for the ad rate per thousand readers were county penetration of the weekly (part r = -.399) and natural log of the number of households in the county (part r = -.286).

### *Discussion*

These results are consistent with the Blankenburg and Lacy and Dravis studies, but the impact of competition on the cost per thousand was relatively small, with only about 2.5% of the variance in the rate related to the competition index. The lack of a greater impact might stem from the number of counties that had little or no competition. One hundred and nineteen counties had only one weekly, and these counties, which had extreme values for the competition index, could act as outliers—exerting a strong impact on the regression equation. Because of this, an analysis was run using only the 236 weeklies that scored less than 25 on the competition index. These were the most intensely

competitive counties.[34] Regression equations were run including the same variables used for regressions shown in tables 2 and 3.

The regression results with the intensely competitive samples showed different competition relationships from those reported in tables 2 and 3. When ad rates were used as the dependent variable, four relationships changed from Table 2. The dummy variable for paid weeklies was no longer statistically significant, although its sign was the same. The penetration of metro and non-metro dailies had a positive and statistically significant ($p < .05$) impact on ad rates.[35]

More importantly, the new regression found a statistically significant relationship between the weekly competition index and weekly ad rates. The regression coefficient equaled .052 ($p < .05$), which indicates that each 1% change in the index changed the ad rate by about 5 cents. If the difference in penetration between a weekly and its competitors decreased by 1%, which means the market became more competitive, ad rates dropped by about 5 cents. The entire regression equation accounted for 42.2% variation in the ad rate of weeklies (adjusted r-square = 42.2).

The regression equation for intensely competitive markets testing the relationship between competition and the cost-per-thousand ad rates also found different results. The adjusted r-square equaled .268, and three of the relationships were no longer statistically significant. Unlike the statistics in Table 3, only the natural log of households in the county and penetration of the weekly remained statistically significant. The impact of competition, paid weeklies and the penetration of non-metro dailies became statistically insignificant.[36]

### *Conclusions*

The purpose of this study was to examine the impact of newspaper competition on weekly newspaper advertising rates and cost per thousand by replicating and extending two limited-sample weekly studies. When the full sample is used, the results of this replication are consistent with the results of the earlier two studies. One of these studies showed that competition from other weeklies in a county lowers the cost-per-thousand readers rate,[37] and both found no impact on the absolute open-column-inch ad rate.[38]

However, the results of these earlier two studies and the full-sample results here seem to have come from a statistical impact of grouping counties with intense competition with those that had little or no competition. When the counties with intense competition were examined separately, there was a statistically significant but small impact of competition on ad rates. As competition among weekly newspapers intensified, column-inch ad rates decreased.

This result is consistent with microeconomic theory and with the suggestion by Lacy and Vermeer that competition might have a threshold level. Competition must reach a certain level in the managers' perceptions before they react to it.[39] Finding different results when looking at an intensely competitive subgroup of counties is similar to the results in a study about Japanese newspaper competition.[40]

The analysis of the competitive subsample holds implications for the impact of metro and non-metro dailies on weekly ad rates. In intensely competitive markets, increased penetration by dailies was associated with higher ad rates. Unlike the behavior expected from competition, the ad rate did not decline with increased daily penetration. Instead, it increased. This may reflect the viewpoint of weekly managers that dailies and

weeklies are not good substitutes, and so the managers do not react to increased penetration of dailies. For example, Shaver and Lacy found only small decreases in ad linage in dailies in the face of weekly competition.[41] However, the lack of substitutability would not explain the positive relationship.

This inconsistency with economic theory might reflect what Smith calls the unsophisticated behavior of advertisers in smaller markets.[42] He noted that most advertisers do not buy advertising space and time primarily on price, and those who do tend not to use the cost per thousand rates to make the decision.

The finding of an earlier study that paid weekly circulation affects ad rates or cost per thousand was supported for all markets but not for the intensely competitive counties. A statistically significant difference emerged in a t-test between the ad rates of paid and free weeklies, but the difference disappears when number of households in the county is controlled for.[43]

This national probability sample of counties indicates a complex relationship among variables related to advertising rates. Competition among weeklies can affect ad rates to a small degree in intensely competitive markets--behavior that is consistent with non-collusive behavior. "Price wars" are not likely, but competition can exert slight downward adjustments in ad rates so a newspaper can remain a good substitute for a close competitor. There appear to be limits, however, to how much a weekly will adjust its ad rates.

The results suggest some considerations for future work on newspaper competition. First, it appears that the impact of competition is nonlinear. It affects markets with intense competition but not markets with little or no competition. This is

consistent with early studies of competition and content.[44] This also suggests the possibility that newspaper managers have a threshold of penetration by competitors after which they perceive a higher level of competition than before their competitors reach that threshold.

Second, the competition between dailies and weeklies for advertising needs further exploration. Previous studies of ad linage suggest that the two types of newspapers are not considered substitutes for most ad buyers, but weeklies may be acceptable substitutes for ad linage in at least some markets.[45] This study found ad rates increased as penetration of dailies increased. This might reflect the measurement of competition as daily penetration. Whether weeklies and dailies are substitutes for advertising linage may be affected by whether this umbrella competition occurs in metropolitan areas or out-state areas.

One way of exploring such competition and whether there is a threshold effect is by surveying managers at weekly newspapers about how they react to competition, and how that reaction affects their decision. This sort of study would examine the interface between economics and management and has already begun to be explored by some scholars.[46]

Third, the results have implications for inconsistency in previous research. It appears a ratio-level measure that examines the relative market position is a better measure of competition than dummy variables or even numbers of firms. Such a ratio measure is a closer approximation of the cross-elasticity of demand for firms in the market. In addition, the inclusion of a high percentage of markets without competition

can overly influence regression results. These monopoly markets with extreme index values can act as outliers and bias the results.

As with all studies this one is limited. It did not include some variables that might help explain more variation in the dependent variables. Perhaps the growing trend of clustering, the process of the same company buying several newspapers in a geographic region[47] might affect ad rates. Mutual ownership of weeklies in the same region could affect variation in ad rates. An additional variable would be total market coverage products. These have been found to affect budget.[48] The problem is getting local data about such products from throughout the United States.

Table 1
Correlation Matrix
(N=432)

| | Ad Rate | Cost Per Thousand | Competition Index | Households in County (Natural Log) | Metro Daily Penetration | Non-metro Daily Penetration | Weekly Penetration | Paid Weeklies |
|---|---|---|---|---|---|---|---|---|
| Ad Rate | 1.00 | -.029 | -.092 | .526 | .057 | .148 | -.093 | -.375 |
| Cost Per Thousand | | 1.00 | .044 | -.074 | .009 | .118 | -.281 | .257 |
| Competition Index | | | 1.00 | -.314 | .037 | -.173 | .390 | -.056 |
| Households (Natural Log) | | | | 1.00 | -.011 | .355 | -.668 | -.305 |
| Metro Daily Penetration | | | | | 1.00 | -.384 | .008 | .012 |
| Non-metro Daily Penetration | | | | | | 1.00 | -.298 | -.114 |
| Weekly Penetration | | | | | | | 1.00 | -.068 |
| Paid Weeklies | | | | | | | | 1.00 |

Note: Correlations greater than .114 are significant at the $p < .05$ level. Correlations greater than .148 are significant at the $p < .01$ level.

Correlations greater than .173 are significant at the $p < .001$ level.

Table 2

Regression Equation for Predicting Price

for Open Line Rate for Standard Column Inch

| Independent Variables | Regression Coefficient | Standard Error | Beta Weight | Part Correlation |
|---|---|---|---|---|
| Number of County Households (Natural Log) | 1.57500 | .125 | .734 | .471[b] |
| County Penetration of Weekly | .02576 | .004 | .391 | .262[b] |
| Competition Index | -.00109 | .002 | -.018 | -.017 |
| County Penetration of Metro Dailies | .02006 | .012 | .068 | .062 |
| County Penetration of Non-metro Dailies | .00363 | .005 | .030 | .026 |
| Paid Weeklies (Dummy Variable) | -1.04200 | .362 | -.123 | -.108[a] |

DF = 6, 425, R-squared = .401, Adjusted R-squared = .393, Significance p < .001

Note: [a] < .01, [b] < .001

Table 3

Regression Equation for Predicting Price

for Open Line Rate for Cost Per Thousand

| Independent Variables | Regression Coefficient | Standard Error | Beta Weight | Part Correlation |
|---|---|---|---|---|
| Number of County Households (Natural Log) | -.56400 | .082 | -.446 | -.286[b] |
| County penetration of Weekly | .02308 | .002 | -.595 | -.399[b] |
| Competition Index | .00604 | .002 | .172 | .157[b] |
| County Penetration of Metro Dailies | .01045 | .008 | .060 | .055 |
| County Penetration of Non-metro Dailies | .01293 | .003 | .182 | .026[b] |
| Paid Weekly (Dummy Variable) | .58100 | .236 | .117 | .102[a] |

DF = 6, 425, R-squared = .268, Adjusted R-squared = .258, Significance < .001

Note: [a] < .05, [b] < .001

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# *Managing Internet-Delivered Radio: New Markets, New Revenue, New Operations Issues*

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***SECOND PLACE FACULTY PAPER***
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Association for Education in Journalism and Mass Communication
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# Managing Internet-Delivered Radio: New Markets, New Revenue, New Operations Issues

Recent Arbitron studies show that the audience for Internet-delivered radio stations is reaching nearly one-fourth of the nation's population. Webcasting has already added a visual component to radio, and promises to develop new markets and revenue streams. This study employs Delphi methodology to survey 50 expert panelists in an effort to ascertain the top operational challenges promulgated by this technology, and offers some recommendations for entrepreneurs seeking to launch Cyber radio enterprises.

Internet-delivered radio has become the broadcasting industry's latest technical craze, and there are signs that streamed audio may be blossoming into a new media form of its own. That assumption is supported by recent Arbitron audience estimates showing that over 67 million Americans—one-quarter of the nation's population—have used Internet audio, and 13 million of those consumers listen to streamed radio services on a weekly basis ("Internet IV Study," 2001). Arbitron official Bill Rose proclaimed last year that the medium's audience "is rapidly approaching critical mass," and advertisers have been especially gleeful over Web radio's developing consumer base that is psychographically unique and flush with money (Mocarsky, 2000). Not surprisingly, the most lucrative of Cyber radio's emerging advertising targets is the12-24 year old consumer, who has a greater tendency to use streaming media and the Web's interactive features. But another potentially gainful market is the "at-work" audience, which has a higher level of income and education and is more likely to click on banner ads and make on-line purchases ("Internet IV Study," 2001).

Nearly 40% of America's radio stations had launched on-line ventures by the end of last year, and a significant number of "stand alone" Cyber stations, that is, simulated radio services that stream services via the web but are not affiliated with parent broadcast facilities, have begun regular service (Levi, 2000). This overall growth pattern for Internet-delivered radio corroborates the popularity of this emerging medium, despite some recent setbacks, such as legal entanglements over music copyright issues and an overall fuzzy economic future for "dot com" enterprises (Stine, 2001; Sullivan, 2001). Although these problems have had a temporary chilling effect on development, Cyber radio entrepreneurs nonetheless remain optimistic about the medium's potential,

especially in light of significant growth in mobile delivery technology, which is expected to blossom by 2005 and promises to revolutionize computer-mediated communication altogether (Lindemann, 2001).

Web radio enterprises primarily emerged as promotional arms for radio stations seeking to inexpensively enhance their visibility and, in the case of some broadcasting companies, to create additional revenue streams (Lind & Medoff, 1999). Given this heritage, Cyber stations have mostly operated under the terrestrial radio business and programming model, an exemplar that has served as a good starting point for pioneer Webcasters during the medium's developmental years. But that archetype is quickly becoming antiquated in light of the Internet's unique visual and interactive capabilities and its ability to attract new and different audiences (Balfour, 1999). In fact, Eric Scheirer of Forrester Research bemoans the fact that computer-mediated broadcasting's fallback on established media operational models has actually contributed to the underdevelopment of the new medium. In being content to pattern their operations after radio's existing image, most Webcasters have created companion textual and visual features to accompany audio signals that are mostly simulcasts of their terrestrial stations, rendering a hybrid product that amounts to little more than radio with pictures. Initial audiences may have been satisfied with this model since it emulates an already established service familiar to novice Internet users. But is this approach adequate to attract and satisfy the more technically discriminating 18-24 year old consumers that make up Internet-delivered radio's fastest growing audience? Or will they instead prefer sites that are more Web-specific and less reflective of the older radio technology? (Balfour, 1999; Kerschbaumer, 2000)

Scheirer may be correct. If Cyber radio is to realize further growth, it may be inherent upon managers to develop more technically advanced, Web-specific programming and operational models. Moreover, Web consumers also have more unique advertising consumption patterns, a need that may require re-thinking the system of packaging Cyber radio advertising (Lindemann, 2000). Given these demands, it is important to ask three basic questions that serve to guide this study. First, is it correct to assume that Web radio operations must become significantly different from the model governing its terrestrial counterpart? Second, what are the minimal changes in standard radio station operations that streaming will force upon the industry? Finally, how can the broadcasters seeking to enter Cyber radio ventures prepare themselves to deal effectively with this new technology and the operational adjustments that must be made? This study does not specifically propose new archetypes for operating computer-mediated radio stations, but it does provide a systematic review of the opinions of 50 industry experts regarding how the upstart Web counterpart promises to change established radio station operational procedures in the near future.

**Review of the Literature**

Industry press has increasingly devoted attention to streaming as a player in today's rapidly changing media picture. However, articles in this area tend to be more focused on singular issues, such as the impact of streaming on radio advertising (Leutz, 2000; Wyllie & Evans, 2000), audience fragmentation (Ganchoff, 2000), increasing station reach (Verdino, 1999) or design concepts, such as integrating audio and video into the Web page using various types of design software (Donnelly, 2000). In the scholarly community, the bulk of the available literature has been devoted more to content studies

of television station Web sites (cf., Chan-Olmstead & Park, 2000; Kiernan & Levy, 1999), with scant attention devoted to Internet-delivered radio, its programming or the operational issues associated with its use.

Research by Lind and Medoff (1999) has, so far, been the primary academic study related to any operational aspect of Cyber radio broadcasting. The authors conducted an exhaustive analysis of station web site content, while interviewing and surveying major market radio executives to gain an appreciation for managers' attitudes toward their streamed radio operations. The researchers characterized common visual information, entertainment and interactive features offered by streamed stations, and were able to isolate some common operational problems associated with maintaining a Web presence. The Lind and Medoff research provides an important snapshot in the development of Cyber radio in the late1990s, although the data, while highly relevant at the time of the study, has been rendered somewhat dated with the passage of time, an inescapable risk associated with studying rapidly evolving media technology. Moreover, while Lind and Medoff offer some "how to" recommendations for Webcasters, their study was really more concerned with stations' Web site content issues and falls short in offering prescriptive operations-related advice for broadcasters seeking to utilize Cyberspace in their business plans.

**Methodology**

This study uses Delphi methodology, a procedure that entails systematic solicitation and aggregation of informed judgments about specific questions or issues from a disassociated panel of experts (Dalkey, 1967; Strauss & Zeigler, 1975). Delphi is essentially a long distance brainstorming technique that has proven especially valuable in

forecasting trends (Allen, 1978; Conhaim, 1999). Three different groups of subjects were included in this study, each member having some degree of primary experience with streamed radio station operations. The objective in using the three groups was to gather diverse opinions and ideas from people with distinctive industry roles and with varying responsibilities and functions related to Web radio operations. Seventy people initially agreed to participate on the Delphi panel, but only 50 completed each segment of the study.

**Panelists with Primary Web Radio Experience**

Fifteen subjects were included in a group composed of general managers and program directors of stations that have launched companion streaming enterprises, as well as executives of radio networks and broadcast groups. An effort was made to include panelists to represent large and small market stations from across the United States. This group consisted of six executives of national radio networks and/or group owners. Additionally, panelists from three metro market stations, four small market operations, one public radio facility, and one non-profit religious station participated in the study. The fifteen participants and their titles are as follows:

- **Rick Betzen:** General Manager, Journal Broadcast Group, Wichita, Kansas
- **Kelly Burley:** Director of Programming, KOSU, Stillwater, Oklahoma
- **Cathy Campbell:** President, Camrory Broadcasting Inc., and General Manager KZAT FM, Tama, Iowa
- **Dan Dermody:** Program Director, WXCL, Peoria, Illinois
- **Timothy Dill:** Director of Operations, Roswell Radio Inc., Roswell, New Mexico
- **John Dimick:** Director of Operations/Programming, Jefferson Pilot, San Diego, California
- **Ralph Guild:** Chairman, Interep, New York, New York
- **Phil Hall:** Vice-President, Programming, ABC Radio Networks, Dallas, Texas
- **Dan Halyburton:** Senior Vice-President/General Manager, Susquehanna Radio Corporation, Dallas, Texas
- **Al Hamilton:** Director of Operations, Chuckie Broadcasting, Ardmore, Oklahoma
- **John Hare:** President, ABC Radio, Dallas, Texas

- **David Kennedy:** President/COO, Susquehanna Radio Group, York, Pennsylvania
- **Matt Locker:** Director of Operations, WGHT, Pompton Lakes, New Jersey
- **Mac Tichenor:** President and CEO, Hispanic Broadcasting Corporation, Dallas, Texas
- **John G. Vogt:** President and General Manager, WCTN Radio & wctn.net, Potomac, Maryland

**Panelists Representing Ancillary Services**

Another group was composed of representatives of companies providing ancillary services for Webcasting—ratings, advertising, and marketing firms—and writers and editors of industry publications that have covered the evolution of Cyber radio. Members of this group included: five editors and/or publishers of trade publications, nine officers and/or owners of streaming service providers, and five individuals working in online advertising, marketing, ratings, and consulting. The 19 participants and their companies were:

- **Corinne Baldassano:** Vice-President, SoundsBig, Boston, Massachusetts
- **Mark Cuban:** President and Co-Founder, Broadcast.com (now Yahoo!Broadcast), Dallas, Texas
- **Joel Denver:** President, All Access Music Group, Malibu, California
- **Erica Farber:** CEO and Editor, *Radio & Records*, Los Angeles, California
- **Joan FitzGerald:** Director of Operations and Marketing - Arbitron New Media, Columbia, Maryland
- **Carlton Grooms:** Senior Vice President, Corporate Strategy, BroadcastAmerica.com, Inc., Portland, Maine
- **Dave Hanson:** Producer, Yahoo! Broadcast, Dallas, Texas
- **Harry Jesell:** Editor, *Broadcasting & Cable*, New York, New York
- **Lou Josephs:** CEO, International Broadcast Consultants (IBC), Potomac, Maryland
- **Marlene Kruelle:** Senior Media Buyer, BBDO South, Atlanta, Georgia
- **Paul McLane:** Editor, *Radio World*, Falls Church, Virginia
- **Diane Mermigas:** Editor at Large, *Electronic Media*, Chicago, Illinois
- **Dan Naden:** Executive Producer, Internet Broadcasting System (IBS), Mendota Heights, Minnesota
- **Eric Rhoads:** Publisher and Editor *Radio Ink* , and *e-radio* (recently re-named *Streaming)*, West Palm Beach, Florida
- **Ken Scott:** Consultant ,Trainer, and Speaker, CRMC, Mars, Pennsylvania
- **Sam Shad:** President, Sam Shad Productions, Reno, Nevada
- **Courtney Thompson:** President and CEO, Broadcast Direct Marketing, Coral Gables, Florida

- **Paul Valkama:** Founder/Director, RadioTower.com Inc., Vancouver, BC Canada
- **Amy VanHook:** Director Internet Operations, Entercom Communications, Bala Cynwyd, Pennsylvania

**Panelists from National and State Broadcasting Associations**

National and state broadcast association leaders were considered vital to this study because of their perceived importance in the process of influencing the adoption of innovations, in line with Swan and Newell's findings (1995) that professional associations share knowledge that is important for the diffusion of new technology. Twelve members of this group represented state associations and four represented national associations. The sixteen participants' names and titles are:

- **Whit Adamson:** Executive Director, Tennessee Association of Broadcasters, Nashville, Tennessee
- **Mark Allen:** President and CEO, Washington State Association of Broadcasters, Olympia, Washington
- **Dale Bring:** Executive Vice President, Ohio Association Broadcasters, Columbus, Ohio
- **Linda Compton:** Executive Director, Indiana Association of Broadcasters, Carmel, Indiana
- **Richard Ducey, Ph.D.:** National Association of Broadcasters, Vice-President of Research (Currently) President, BIA Data Management/Executive VP, BIA Consulting, Washington, D.C.
- **Archie Goodbee:** Director of Station Services, New York Broadcasters Association, Albany, New York
- **John Hanson:** Administrative Assistant, Nevada Association of Broadcasters, Las Vegas, Nevada
- **Vance Harrison:** President-elect, Oklahoma Association of Broadcasters and Vice-President of Renda Broadcasting, Oklahoma City, Oklahoma
- **Jamie Hartnett:** Executive Director, Hawaii Association of Broadcasters, Honolulu, Hawaii
- **Bill Johnstone:** Executive Director, Oregon Association of Broadcasters, Eugene, Oregon
- **Nancy J. Logan:** President, American Women in Radio and Television (AWRT) and Senior Director of Licensing, Broadcast Music Inc., Los Angeles, California
- **Louisa A. Nielsen:** Executive Director, Broadcast Education Association, Washington, D.C.
- **Bill Sanders:** Executive Director, Georgia Association of Broadcasters, Atlanta, Georgia

- **Linda Simmons:** Executive Director, Alaska Association of Broadcasters, Anchorage, Alaska
- **Patricia Troy:** Executive Director, The Association for Women in Communication, Arnold, Maryland
- **Dale Zabriskie:** Executive Director, Utah Association of Broadcasters, Salt Lake City, Utah

All panelists responded to three rounds of questionnaires. The first-round instrument was open-ended and asked panelists to list significant changes they believed streaming technology would force in current station operation procedures. This step generated 95 separate statements, which were developed into a second-round questionnaire, where respondents ranked their degree of agreement or disagreement with each of the 95 items using a five-point Likert scale. Based on the mean scores of the ratings provided by panelists, the authors derived a "top ten" list of predictions about the operational changes associated with Web radio (see Table I). Those ten items were then developed into an open-ended third round questionnaire, where panelists were asked to comment on each of the statements and to offer ideas and suggestions for broadcasters who might be confronted with these operational changes and/or problems.

**Third-Round Panelist Comments**

The Delphi panelists offered voluminous amounts of feedback on each of the ten items submitted in the third-round questionnaire. General trends detected from the panelists' comments are summarized here, along with a smattering of the most relevant comments pertaining to each issue.

**Statement 1: Content will remain a crucial determinant of success for streamed radio stations.** Each of the study's 50 participants agreed that content, specifically the programming offered via a station's streamed signal and the information and features presented on the accompanying Web site, will determine the success of

streamed stations, just as programming composition determines the success of conventional broadcasting. As one participant noted, " Content is always the most crucial component. In radio, we say, 'You can't listen to a 'watt'.' You can only listen to programming. The carrier is a [minor] detail to the consumer/listener."

Most of the panelists agreed that how broadcasters position their Web stations among the myriad of streamed services potentially available on the Internet will be an especially important factor in determining the success, and content will be the primary characteristic through which stations will distance themselves from competitors. Some panelists believed that distinctive content can be achieved through developing unique formats, while others believed that stations will develop their distinctive niche through information (see Statement 8). One respondent emphasized, "Broadcasting groups in multiple markets would be wise to position themselves in specific formats, taking their signal global through on-demand streaming." Another panelist emphasized that "content will determine listener loyalty, participation, and contribute to the station's image in the market."

**Statement 2: Stations will need to create their own communities of listeners, which will be defined by program, lifestyle and consumer interests.** The Cyber radio revolution may promote further audience fragmentation (Ganchoff, 2000), an understandable prediction, considering that Web distribution could potentially bring about the birth of thousands of new stations competing for listeners. Radio's natural ability to program to narrowly defined audiences will fit nicely with the Internet's established ability to develop and cater to online "communities" of users. Therefore, the successful Cyber stations will be the ones who can further identify and develop

relationships with targeted groups and, as stipulated above, provide visual and aural content to meet the needs of those targeted groups. As one participant explained:

> Creating listener communities has always been the strength of great 'over the air stations.' This lifestyle approach translates easily to the Web. It can even be further enhanced. A company with a cluster of stations can have sites for each station and then link to common sites. The 'over-the-air formats' may vary widely. Each [service] could link to a [search engine offering a description of each station's format].

The interest-based communities in Cyberspace could even be founded on purchasing habits, as one participant explained, "[T]he commodity stations will continue to sell to advertisers and marketers [is the station's 'community of listeners.']...[advertisers] will pay a premium for being able to complete an interactive transaction on the Web, digital TV, etc. Targeted consumers also have a specific interest in their products or services."

**Statement 3: The radio Web site should be used to enhance the station's image and make a further bond with the core audience.** Much as Lind and Medhoff (1999) suggest, the visual information that accompanies the audio signal at a station's Web site is an important factor for drawing and retaining potential audience members. Moreover, a station's Web site design may even be used to build new relationships with listeners. As one subject offered in commenting on this question, "The station's Web site is not going to be just an enhancement, it will become the core of the station." Another panelist agreed that the overall Web presence will be instrumental in attracting listeners, especially younger ones: "In this day of video games, new listeners coming up can't remember a time when entertainment didn't come in both audio and visual format at the same time."

Many in the study saw the station's Web site as a way to offer more services to their listeners and advertisers, as one panelist noted:

> Station promotion and image building is a logical use of a Web site. Ideally, the site should be an extension of the station that ties naturally to the image which the station projects both on-air and in outside media and events. In some ways, the Web site should also make available to listeners all the things that they want that simply can't be provided on the air.

Other panelists suggested that an Internet presence offers much more than just serving as an extension of the station; rather, the Web site offers the potential to develop entirely new services and branding opportunities and, in the process, entirely new audiences, a view best expressed by one panelist:

> The radio station can definitely drive traffic to its Web site. But, if all it is doing is a rehash of what's going out over the air on the terrestrial station, then they've missed the unique opportunity of the Web. A Web site should be used to target new niche customers and advertisers…The radio station doesn't even have to be central to the Web site. Radio station Web sites can execute new e-commerce strategies, for example, by being a portal for local retailers….

In addition to the Web's potential to cultivate new audiences, many people in the study forecast that streaming would foster entirely new consumption habits for radio, first by making more stations available to listeners and then by changing the hours when people listen. One respondent noted that programmers may do well to re-think current day part programming practices, since the Web's best potential audience is currently based among at-work users:

> A new day part is forming—9 a.m. to 5 p.m. This is a time frame that was virtually untouchable to stations five to ten years ago. Now, with the advent of the Web, radio stations are able to reach their intended audience not just during the workday, but throughout the day.

**Statement 4: Managers and program directors need to become better educated in marketing and branding to survive online. Streaming may even necessitate staff changes.** If indeed Web radio will necessitate new format development

to reach increasingly fragmented audiences, positioning will become even more vital for survival in the new "Cyber jungle," where thousands of new competitors could potentially exist. As Lind and Medoff (1999) suggest, station executives will no longer be able to invest in Cyber radio without having a clear-cut vision for their new ventures. But management's vision must be transformed into a unified marketing strategy that is clearly articulated to staffers and carried out in all station operations if a Web radio venture is to be successful. This certainly places new demands on all station personnel to better grasp branding and marketing principles. As one panelist responded, promoting the station's Web presence becomes the responsibility of each staff member, a goal that can be met only with better education and articulation of goals by managers:

> A strategic cross promotion/branding and marketing program should be incorporated into all departments...Study after study validates that radio is the premier medium for driving traffic to the Web, yet radio stations rarely take advantage of this powerful tool. In the future, workshops will be established to show program directors, air staffs, and sales organizations how to take advantage of the Internet to reach their respective goals.

In order to communicate with the Web audience, disc jockeys will be forced to learn about the new medium and to use the "buzzwords" unique to the Internet culture. As one respondent related his station's strategy, "We strive to mention our Web address or live-stream broadcast at least every quarter-hour. Our jocks are constantly reminded that while our focus is still our immediate region, we are still talking to a global audience."

Some respondents predicted that stations may be forced to create a new staff position to coordinate their on-line enterprises, an Internet Director. One respondent commented, "This (marketing and branding) may not be the job of programmers, but a position of 'Webmaster' who understands surviving online and tying [that strategy] to the

station. The marketing side will always be there, the question is whose responsibility will it be?" Another envisioned, "Internet managers will be a department head and be responsible for all facets (programming and sales)." Another respondent even predicted that streaming technology might antiquate the program director's job altogether: "Radio 'PDs' are history. Audio marketers are the future for radio in all its new forms."

**Statement 5: The sales staff needs special training, and stations will need to develop new methods for selling this medium to advertisers.** The previously mentioned concept of providing better training for station personnel may have its greatest need in the sales department. In fact, 42 of the 50 participants indicated that training in the art of selling Web advertising is necessary, which, as one panelist offered, likely forces sales people to learn entirely new techniques:

> Mentioning the site, showing sample pages from it, and similar presentational techniques are one thing; attempting to sell a client to participate on the site is another. Many stations have sales staffs which are ill-equipped to handle this additional responsibility, and it can end up diffusing their primary sales efforts, robbing the station of much needed revenue.

Panelists generally agreed that stations may be forced to hire and train a second sales force dedicated exclusively to selling Web product, since so few "Web savvy" sales people seem to be available in the current labor pool. One panelist, whose station has had experience in balancing sales efforts between terrestrial and Web operations, commented, "We've seen that traditional sales people aren't usually very good at making the leap to selling the Web. Can they be taught? Sure, but the bulk of their earnings is still from the traditional side, so making the change may be painful. Having a person or several people devoted to Internet sales ONLY is the way to go."

But some panelists disagreed with the two-staff approach, arguing that radio sales people have always been forced to be more innovative and flexible in their presentations and that Web radio is merely another branch of existing station services to be marketed to advertisers. Moreover, as previously outlined, if managers are to successfully achieve better positioning and branding for their Web operations, they will need to first promote better integration of the concept in-house to avoid an "us versus them" mentality. As one participant explained, "The sooner [Internet operations are] integrated into the overall station's mission, and made part of everyone's job, the sooner it will move from being defined by what it is to what it offers. Companies should invest in the time and effort to help employees feel some ownership of the project, to understand its goals." Another perceived radio sales people as a natural for Web sales: "[The Web] is now part of who you are, what you do, and more. The Web should ...help you to expand what you do for your listeners."

Some panelists pointed out that the Web offers an opportunity to enhance station sales promotion efforts by providing valuable radio marketing information, including relevant audience data, listener profiles, rates and other valuable aids needed by retailers and advertising agencies when making purchasing decisions concerning either Web or over-air advertising. Additionally, agencies could have the opportunity to enjoy a previously unavailable luxury: the ability to actually monitor their advertising purchases, by listening to their commercials on local stations or viewing banner ads and other types of services purchased in given markets. In using the convenience of the Internet as a sales tool, broadcasters could ultimately make better sales presentations. The flexibility of Web technology now allows stations to produce actual prototypes of their site for sales

presentations, including such vital features as format audio samples and announcer air checks. Moreover, using the Web as a supplementary service to the sales department could potentially help stations lower the overhead associated with making sales calls. As one respondent offered, "[The web site] should include all the pertinent information to purchase either over the air or Web ads…sales teams need to make every advertiser aware of the Web site, what it can offer them as an advertiser. Prospecting can be done by e-mail."

**Statement 6: As a promotional enhancement, stations should take advantage of the ability to provide textual information to accent music and information provided on their live audio streams.** The flexibility of Web technology to provide visual information with audio features presents new opportunities to offer services for listeners that were previously unimaginable. In fact, just as the Web promises to alter current station programming practices, promotion also seems to be forever changed. Interestingly, the newfound promotion feature that drew the most praise from panelists was the ability to post textual information such as title, artist and other song-related information on the screen while music is playing via the audio channel. This finding is in line with recent qualitative data by generated by Arbitron (February 2000), which indicates that nationwide audiences rate the visual posting of title and artist information as one of the Top 10 features they enjoy about Web radio stations. As one panelist pointed out, artist-title captioning conveniently provides a feature listeners have traditionally demanded from music stations: "Finally, a way to take care of a need they've been screaming for without announcing every record played over the air."

Panelists advanced the idea that providing song artist and title information is just one example of a myriad of interactive listener services that were previously unimaginable in conventional broadcasting. Moreover, the popularity of providing textual music information may illustrate something more important about Web radio: that its consumers, most of whom are accustomed to accessing information they want from the Internet, will expect much more from online radio stations than just audio music services. As one panelist stated, "The more nice features [stations offer on their Web sites], the more hits you will have which achieves the goal of having extensive use of your site."

Study participants advanced other ideas for features built around the Internet's interactivity. One respondent proposed providing "hotlinks" that could provide more information about the artist, perhaps even providing a "MTV style video [clip] while the song is playing." Broadcasters that were early to use Web sites as a promotions tool quickly adopted the concept of using e-mail as a way to garner requests and song dedications from listeners, conduct special contests and even gather general feedback about station programming efforts (Lind & Medhoff, 1999).

**Statement 7: Broadcasters must broaden their revenue streams beyond the "old spot sales mentality."** The new programming and promotions opportunities described in previous sections also demand a new flexibility in how Web radio advertising is packaged and sold to advertisers. The addition of visual components offered via the station's Web site creates interesting new opportunities for Web radio sales departments. For example, stations can—and already do—provide banner ads, post "Cyber coupons" or provide interactive links to advertisers' sites, but through video

streaming technology it could also be possible to run actual video versions of commercials. Sponsorships of textual Web features provide additional interesting (and potentially lucrative) non-spot revenue opportunities. In fact, the actual streamed radio signal almost becomes secondary in value when compared to the plethora of visual components that can be offered to advertisers, as one panelist noted, "Broadcasters have opened up to a new revenue stream mentality... All methods of Web revenue need to be used, [including] the sale of merchandise and services. Links and partnerships must be pursued."

Recent consumer data from Arbitron (2000) seems to support the idea that the "old spot sales mentality" will indeed become a thing of the past, considering that consumers like certain forms of Internet advertising that have, until now, obviously been unavailable to radio audiences: local shopping and merchant information (54%), printing advertiser's coupons (46%), seeing advertised products (45%), the ability to shop at Web sites of local advertisers (43%), buying products and services (41%), and linking quickly to Web sites of local businesses (36%). Clearly, Cyber radio entrepreneurs are in excellent position to take advantage of these Internet-specific advertising forms, but there is a need for new, innovative ways to price and sell space and air time on Web radio sites. Broadcasters have mostly offered Web advertising forms as a value-added component to radio spot packages. While understandable, given the newness of the concept and the lack of established audiences for the new medium, panelists mostly foresaw danger in treating Web advertising as an "add-on" to spot packages, fearing that establishing this precedent could potentially devalue the medium in the minds of advertisers and that

staying with the proven method would discourage development of more innovative practices.

Overall, panelists believe that the Internet enhances radio's ability to formulate better integrated marketing campaigns for advertisers through a combination of on-air messages, web advertising, e-mail campaigns and events promotion. Other panelists see the opportunity for broadcasters to become more directly involved in retailing as a revenue enhancement, as one panelist offered: "Maybe stations should build "Cyber-malls" where listeners can go in search of products and services...stations could get a percentage sales generated from the...Web site." Internet-specific features, such as the previously mentioned title/artist captioning service, offer unique sponsorship opportunities, allowing stations to post the sponsor's logo with each song caption.

**Statement 8: Streaming will only improve broadcasters' positions if they continue to localize their services as much as possible.** Until more national advertising dollars are available for streamed radio services, the focal point of Web radio's revenue potential is tied to local retailers. Therefore, it is reasonable to expect Cyber radio stations to maintain a local focus on their Web sites and in their programming, despite the Internet's ability to deliver worldwide audiences, as one study participant offered:

> [A]ccording to the December 1999 Arbitron Internet ratings, our station in our non-rated market [City] had the #18 CUME numbers in the nation. Why do folks all over the world listen? Curiosity, format preference, who knows! But broadcasters cannot look beyond their back door. Internet streaming is a nice extra, an ego boost, a potentially profitable toy, but if you don't have the local numbers, (ratings and sales) you will not survive."

Another panelist echoed this belief: "While it is important to [maintain a station's] core audience, how many of them listen to you on the Internet? I think the appeal of Internet

radio is listening to stations that you cannot hear in your market. The Web site should act as an ambassador for not only the station, but the market it originates from."

Other panelists do see radio programming efforts eventually taking on a more homogenous regional and national flavor as national advertising dollars become more available, as one participant stated, " . . . I can envision some program providers using [streaming] to establish national brand programs and e-commerce sources, rather than pursuing a local strategy." Another participant predicted the emergence of streamed stations that will build their reputation as national or international "powerhouses," while most Internet-delivered radio will remain local:

> [Some] super stations will dominate a format and feature high profile personalities ... Such stations' on-air presence will be strong but more generic allowing a national audience. The secondary position will be streamed sites by the smaller (local) stations. The advantage they will have over the national site will be localization. By truly relating to their community they will enhance their over-the-air position.

Many panelists predicted that streamed radio is only the first step in the evolution of a new hybrid medium that will encompass the most advantageous aspects of video, photography and interactive textual elements, as well as a variety of audio services. Yet, the predicted focus for this hybrid medium, at least in its developmental stages, will be local information. As one panelist stated, "The most successful local broadcasters will add streaming and lots of new dimensions beyond the music. We are just a few steps away from a combined local newspaper and radio station."

**Statement 9: The advent of "wireless Internet" and portable computers that play Web streams will increase streamed audience sizes.** Participants in the study felt that wireless delivery of the Internet will greatly affect the future of Cyber broadcasting.

But panelists are skeptical about how quickly the technology will diffuse through the population, given some of the current problems must be overcome, such as the initial price of purchasing portable computers capable of downloading Cyber stations and a signal fidelity that is currently less than perfect. But the panel was not slow to see the potential of non-wired distribution. One respondent explained, "This is the key. This will be the next giant step. When wireless Internet can be streamed on car dashboards and handheld devices, the landscape changes…so much that [broadcasting] will never be the same again."

Satellite-delivered streaming will make radio even more ubiquitous, since individual broadcasters will no longer be bound by federally assigned listening areas. This will put even more pressure on broadcasters to think "outside the box" in terms of the previously described marketing and programming changes, since radio listening would likely be subject to further fragmentation. Stations will be forced to determine "who they are and what they do" and stations will be forced to be as "professional as possible" in presenting their services. Participants also noted that portable technology could potentially enhance adoption of streamed radio among a wider demographic base. Currently, Cyber radio listeners are obviously confined to office and at-home listening without the aid of portable technology, naturally impacting the types of entertainment and information programming stations can currently offer. But the advent of portable technology opens Web radio programming to a wider array of options, as one panelist stated: "If you make it easier for people to listen, they will come…in general (except for the 18-24 crowd), [audiences] are reluctant to do any work to get [Internet services]."

**Statement 10: Since the Internet can provide far richer information about audiences than diaries and statistical estimates, Webcasters should invest in technology that provides immediate individual listener data.** The Web's ability to immediately provide data about users who view a given site promises to provide Webcasters with audience estimates that are unparalleled in accuracy, speed and detail. Companies using the Internet as an advertising arm have been using "cookie" technology for several years. Proponents of using cookie-generated research argued that this capability could save stations thousands of dollars currently spent on qualitative market studies, and that such data would be far more precise, as one panelist noted:

> The beauty of the Internet is that every click of the mouse can be tracked. We can collect information about our listeners that can NEVER be obtained from traditional research. Data (can) be sliced and diced numerous ways and fed on a plate to advertisers eager to reach very specific target audiences.

One respondent indicated that stations should use the new data to improve their programming and profits, "This makes good sense from a target marketing perspective. The more you understand about your audience, the more targeted your advertising can become. Advertisers want to know as much as possible of the demographics they are reaching." Skeptics on the panel, however, argued that advertisers usually prefer information generated by a third party, such as Arbitron or A.C. Nielsen, and might not trust information that was generated by the stations themselves.

**Summary And Discussion**

Interestingly enough, the expert opinions reflected in this study indicate that while Cyber radio station operations may require a degree of fine-tuning to better accommodate the nuances of the Internet, panelists did not recommend the wholesale programming and operational changes advanced in the introduction to this paper. While panelists

undoubtedly would agree that the Internet promulgates design and content considerations that are more specific to the demands of this media form, the basic radio programming philosophy that favors relevant content, narrow demographic appeal and local content has not changed. It remains to be seen if this more traditional approach would be supported in future studies.

The results do yield some more specific answers to the remaining research questions. Regarding panelists' specific predicted changes in standard radio station operations, this study yielded the following suggestions:

- Radio now becomes a visual medium in Cyberspace. Fresh up-to-date Web page content is mandatory. Managers must consider the visual appeal of their Web site as much or more than "how a station sounds" when creating content.

- Broadcasters must provide proper financial and staff resources for the Web site and streamed signal to operate at its peak. This would include hiring a full-time individual or staff to direct the Internet operation.

- Broadcasters should continue to utilize the interactive components of the Web to build listener relationships. All station personnel need to understand how Web radio users are different from typical terrestrial radio listeners in terms of their consumption habits.

- Managers should encourage sales staffs to use the Web as a marketing tool by posting media kits, preparing online sales presentations, encouraging advertisers and media buyers to sample the station online, and by taking advantage of new online audience measurement tools.

- Positioning and branding content for the station takes on new significance because of increased audience fragmentation and the quantity of stations and formats competing for the same audience. Stations can extend their brand online by using the "dot.com" name for promoting both the on-air signal and Web site.

- Again, the Internet offers radio the opportunity to become a visual medium, and the interactive capabilities of Cyberspace offer new relationships with audiences. Stations should offer additional services such as song title and artist textual information and provide avenues to purchase music and products directly from the Web site enabling the station to earn additional revenue.

- Companies engaged in streaming projects must continually search for new ways to derive revenue and they must continue to develop novel methods for packaging and selling Web radio advertising.

Panelist comments were perhaps less prescriptive in answering the third research question regarding the steps that broadcasters and the industry as a whole should take to prepare themselves for dealing with changes in their business operations. Yet, the results do echo some common themes:

- If stations want to successfully compete on the Web, they will need to provide training for employees to design content that is not only appealing for audiences to hear, but also contains attractive and entertaining visual components.

- Broadcast associations should take the lead in preparing educational materials and offering training seminars for Web radio sales staffs.

- Broadcasters should re-evaluate who their competition will be in the future. Anyone can now be a broadcaster. Theoretically, the local newspaper is in an equally good position to add music to its Web site and become a more direct competitor.

- Managers must define the role of the companion Web radio enterprise. Merely maintaining a Web presence is not enough. There must be a reason or a mission for the site. Whatever purpose is decided upon, that mission must be clearly defined and communicated to station employees, audience members, and advertisers.

- Executives must continually educate themselves and their employees about the rapid changes occurring in the industry. They must monitor new technological developments that would enable the streamed signal to become portable and make certain that their product is compatible.

In retrospect, this study provides a snapshot of a technological innovation that is currently in its earliest stages of adoption. Panelists participating in this study, are arguably what Rogers (1971) would likely classify as "innovators" who currently represent a significant amount of industry opinion leadership that will surely influence future stages of Web radio adoption. The overall perspectives advanced by these subjects seem to indicate that while cyber radio is still in its infancy, the concept is nonetheless

seen as a promising technology that will continued to be embraced by the industry and consumer alike. The topics reflected here are certainly not the only operational issues related to the development of Web radio. For example, panelists failed to address some of the legal and ethical issues germane to this new medium, most notably the increasing concern over music copyright issues, a growing problem since the late 1990s (Stine, 2001).

Hopefully, the greatest value of this study is the potential groundwork it offers for future research. Obviously, there is a need for continuing studies of factors that guide Internet users' news and entertainment consumption. But situations specified here call for an even more specific focus on the variables that guide consumers' choices among Cyber radio stations. For example, which combinations of visual and audio content are most effective at drawing consumers to a particular station's site? Which is more important in dictating station selection, the audio service that is provided or the accompanying textual information? One of the main assertions offered here is that local content is the chief factor affecting station selection, and that stations are wise to use local content as a positioning factor among the overabundance of stations that promise to begin online operations. To what extent this assumption is correct remains to be empirically validated through consumer-based research. A related question raised here centers around format development; that is, if stations now have the freedom to experiment with innovative formats and programming concepts, which ones are most promising and how could they best be executed? Further scholarly inquiry is not only welcomed but becomes mandatory if the somewhat blurred picture of the future of Webcasting is to be brought into greater focus.

**TABLE I**

**TOP TEN PREDICTED MAJOR OPERATIONAL CHANGES INDUCED BY STREAMING TECHNOLOGY ADOPTION AND THEIR MEAN SCORES**

| STATEMENTS | MEAN SCORE | STANDARD DEVIATION |
|---|---|---|
| Content will remain a crucial determinant of success for streamed radio stations. | 4.81 | .17 |
| Stations will need to create their own communities of listeners, which will be defined by program, lifestyle and consumer interests. | 4.67 | .20 |
| The radio web site should be used to enhance the station's image and make a further bond with the station's core audience. | 4.58 | .23 |
| Managers and program directors need to become better educated in marketing and branding to survive online. Streaming may even necessitate staff changes. | 4.51 | .25 |
| The sales staff needs special training, and stations will need to develop new methods for selling this medium to advertisers. | 4.40 | .30 |
| As a promotion enhancement, stations should take advantage of the ability to provide textual information to accent music and information provided on their live audio streams. | 4.34 | .39 |
| Broadcasters must broaden their revenue streams beyond the old "spot sales mentality." | 4.26 | .28 |
| Streaming will only improve the over-the-air broadcaster's position if they continue to localize their services as much as possible. | 4.26 | .31 |
| The advent of "wireless Internet" and portable computers that play Web streams will increase streamed audience sizes. | 4.25 | .24 |
| Since the Internet can provide stations with far richer information about audiences than diaries and statistical estimates, Webcasters should invest in technology that provides immediate individual listener data. | 4.23 | .24 |

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# Different Voices, Same Script:

# How Newsmagazines Cover Media Consolidation Issues

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The increase in media consolidation over the past 20 years has led to a growing debate over the impact of ever-widening media conglomerates. An important and growing part of this debate revolves around how the media cover themselves. Through a content analysis of three newsmagazines, this study demonstrates that while editorial choices may differ as to story mix, coverage of consolidation is strikingly similar, framed as a battle of personalities, and not a matter of public interest.

# Different Voices, Same Script:

# How Newsmagazines Cover Media Consolidation Issues

Media consolidation has become an increasingly important issue over the past 20 years, as the number of firms controlling the industry has fallen from approximately 50 in the early 1980s to fewer than 10 today (McChesney, 1997). This increase in consolidation within the media industry has led to a growing debate within academic and popular circles regarding the social and economic impact of ever-widening, vertically integrated media conglomerates. This debate has raised serious questions as to whether consolidation jeopardizes the democratic underpinnings of society, as well as what role the news media should play in this changing landscape.

On one side of this debate stand the media critics, who focus on the increasing power of these media conglomerates. It is this power, they argue, that provides media corporations with the ability to shape our political and economic agenda (Bagdikian, 1997). This power becomes increasingly worrisome when the reach of media conglomerates crosses media boundaries, with holdings in television, film, newspapers, magazines, and more recently, the Internet. The decrease in the overall number of media conglomerates controlling the majority of mainstream media, combined with an increase in vertical integration across media outlets, leads to more concentrated power and, the critics argue, the creation of a media agenda that conflicts with the public good.

On the other side of the debate there are those who believe that media consolidation provides benefits to society, with increasing economies of scale leading to lower costs and additional investments, synergistic opportunities providing more in-depth programming and coverage, and an increase in cross-cultural understanding and democratic ideals as media

become globalized (Demers, 1999). The argument on this side is that the availability and choice of media outlets continues to increase, even as consolidation of ownership occurs, and it is the competition between these outlets, not the corporate entities that own them, that leads to a more public-responsive industry.

While the debate on the impact of media consolidation takes many forms, the question of how the media cover themselves, especially with regard to this increase in consolidation, receives relatively little coverage. Some critics point to anecdotal evidence illustrating how the media's increasing power leads to censorship of stories critical to media organizations, both directly and through self-censorship resulting from the creation of corporate values and norms (Bagdikian, 1997; Bennet, 1988). If this argument is correct, then consumers may be unaware of changes in media ownership patterns and how these changes could impact society.

To test the validity of this argument requires an analysis of media content; specifically, an analysis of how the media cover themselves when it comes to issues of consolidation and ownership. Insight into this is crucial to the media consolidation debate, as an educated media consumer is better prepared to be a part of any public discourse regarding the effects, both positive and negative, of media consolidation. However, there are three challenges in reaching the goal of a media savvy consumer. First, the information regarding media ownership and consolidation needs to be available. Second, the information provided needs to be presented in a way that addresses social issues and the implications of ownership patterns, or at minimum provides insight into what the issues are so as to allow the consumer the opportunity to analyze the potential implications. Lastly, the consumer must be able to process and act upon this information. This study will address the first two points, with the belief that information on media ownership issues must be available and presented properly before one turns toward the question of how consumers process this information.

Therefore, this study attempts to answer two research questions. First, how do editorial decisions, with regard to the selection of stories about the media industry, compare across competing media outlets? Second, how does coverage of structural change within the media industry – consolidation, divestitures, mergers, etc. – compare in type and tone of coverage across competing media outlets?

## Literature Review

Previous literature can provide insight into these research questions in two ways. First, this literature can illuminate the media ownership debate, an important step in establishing the relevance concerning media coverage of the media industry. With the relevance of this topic established, it is then possible to review the literature concerning organizational and job-related issues, including how these issues impact media content, useful in the development of a hypothetical framework for this study.

### Media Ownership Literature

There is an extensive amount of literature analyzing the implications of corporate ownership and media consolidation, much of it anecdotal. Overall, the literature provides conflicting views of the media landscape, with compelling arguments on all sides of the debate, although the limited empirical evidence makes it difficult to fully support either of these opposing viewpoints.

In a broad sense, the literature can be divided into three categories: corporate power, economics, and diversity in opinion. Categorizing the literature in this way provides some challenges, however, since there is much overlap, and a symbiotic relationship exists between categories. It is better to view these categories as an interrelated and layered system, with

corporate power the top layer, and economic considerations and media diversity below it. From this perspective, corporate power shadows the discussion of the other two categories, with all three categories interconnected.

Corporate power refers to both the power of the organization as a whole as well as the power of the owner, represented as the chairman or CEO. This corporate power, critics claim, results in corporate censorship, such as ABC killing a story on pedophilia at DisneyWorld or the refusal to run the critical film "Fear and Favor in the Newsroom" (Saltzman, 1995; Lieberman, 1997; Guensburg, 1998). These examples illustrate the problems that arise when a media organization is faced with a story that relates to some aspect of the parent company. Critics see this type of censorship taking place whenever stories approach a forbidden zone that cuts too close to some piece of the corporate puzzle (Lieberman, 1997). Rarely do these cases of corporate censorship link directly to the owner or CEO, either because these actors rarely get involved in editorial decisions, or because they are insulated by other managers. When owners or CEO's do become involved, such as when Rupert Murdoch pulls the BBC from his satellite broadcasts into China or when Gerald Levin requests that Steven Brill refrain from writing about the FTC, it becomes a lightening rod for critics, raising questions as to the impact of the organizational structure upon content (Baker, 1998; Synergy Watch, 1997). But the question of how often this type of censorship occurs is problematic, since critics are aware only of the instances that come to light. The belief is that there are many more occurrences that never receive public attention.

Corporate power is further exerted through the use of lobbying, political contributions, and media junkets. According to a report by Charles Lewis (2000), between 1996 and 2000 the media spent more than $100 million in lobbying, $75 million in campaign contributions, and $2 million on junkets and related trips. The use of this political persuasion occurs most

often when there are questions of taxation, regulation, and antitrust action (Bagdikian, 1997). However, critics believe that this financial power remains in force even without direct lobbying, since the need for financial support remains a constant political consideration.

Corporate power also is exercised through the personal relationships and interaction of high-level executives. While employees may regularly discuss work and organizational issues, the larger organizational decisions, which guide the course of the parent company, are many times discussed at informal and formal conferences and retreats for executives. These get-togethers rarely are covered by the press, except for an occasional piece in *Variety* or the trade journals, but it is at these events where the seeds of mergers and partnerships are sown, and where corporate agendas are discussed and set (Huey, 1999; Landler, 1998; Schechter, 1996).

Yet, there are those who disagree with such pessimistic views. For example, Saltzman (1995) points out that media organizations historically have been at the whim of ownership, and that the situation was worse when the owner, such as Hearst or Luce, had more direct control of the organization and was less concerned with public perception, instead focused on their own political and economic agenda. According to this argument, while there were responsible owners in the past, including a number of newspaper barons with reformist attitudes, these progressive owners controlled only a small segment of the overall media industry (Rogers, 1996). The definition of success for today's media corporations has not changed greatly from what it was years ago, with entertainment, shock, and inflammatory material the building block of the successful organization (Rogers, 1996). But others, while agreeing with this historical perspective, take exception to the line of argument that defends the current state of media through a comparison to the past. Instead of comparing the present

situation to the past, they argue, we should look to the future, and the democratic and social potential of the media that is currently unrealized (Gitlin, 1996).

Related to this issue of corporate power are the economic conditions both driving and supporting consolidation, specifically stockholder pressure for higher returns, which can lead to both organizational cost cutting and higher prices for content. Cost cutting can occur through downsizing or through a decrease in resources, which are especially damaging in news organizations. Examples of this include the dismissal of 300 employees from ABC after its merger with Capital Cities in the 1980s and the announced intention of the combined Viacom/CBS to create $100 million in savings through the cutting of redundant jobs (Naureckas, 1995; Miller, 1999). These types of cuts result in fewer reporters, writers and editors, less in-depth coverage, and the inability to fully develop stories focusing on the larger issues facing society (On that chart, 1996).

In addition to cost cutting, critics claim that consolidation can lead to an increase in consumer prices, pointing to studies that have shown consolidation leads to higher newsstand prices and advertising rates (Bagdikian, 1997; Eversole, 1971). This rise in price can be linked to both the oligopolist nature of the media industry nationally, which enables corporations to monitor their business environment and match their competitor's pricing arrangements, as well as the monopolistic nature of local markets, especially in such industries as newspapers and cable, which enables media organizations to raise prices with little impact upon their sales.

Some research has contradicted these findings by demonstrating that, in certain cases, consolidation has resulted in increased investments in capital stock. For example, when Gannett purchased *The Des Moines Register* and the Louisville *Courier-Journal*, it added newshole, increased color usage, and purchased higher-quality equipment (Gissler, 1997).

The growth of larger media conglomerates may also provide the benefit of increased economies of scale, which can potentially lead to lower prices and a more competitive environment. Vertical integration, Hill and Landro (2000) argued, allows media organizations to bundle a variety of services for prices much lower than if those services were provided by a number of companies. A study by Blackstone and Bowman (1999) utilized economic models to argue that vertical integration within the film industry linking production, distribution, and exhibition would lead to lower ticket prices, increased investments in theatres, and higher budgeted films.

The final level of analysis with regard to media consolidation is that of diversity in opinion. While diversity traditionally refers to a spectrum of voices representing gender, racial, or religious differences, most critical analyses of media consolidation focus on the overall range and quality of opinion that is presented on specific topics. Some critics feel that the quality of opinion suffers under consolidation, as there is an increased emphasis on soft news and a reduction in serious news and investigative journalism, as well as fewer voices overall. This in turn damages the marketplace of ideas (Bagdikian, 1997; Miller, 1996; Rosenwein, 2000).

Other researchers argue with this analysis, pointing to the explosion in media outlets, both in traditional and new media. In news alone there has been a proliferation of sources over the past 10 years, including national television outlets (MSNBC, CNBC, Fox News Channel), local television stations (NY1 News), magazines (*The Weekly Standard*) and Internet sources (MSNBC.com, Slate, Salon) (Hickey, 2000; Compaine & Gomery, 2000). And since these outlets are owned by media conglomerates, proponents use this as an example of the benefits of corporate ownership, where the availability of resources allows an increase in investment, resulting in more offerings.

Burnett (1992) found that in the phonogram industry (records, cassettes, compact discs), the traditional inverse relationship between concentration and diversity has broken down. Since the early 1980s, the music industry has been forced to constantly create new products featuring new styles of music. This analysis points to a more consumer driven model as opposed to a producer driven model. To support this, the author discusses the resource partitioning model, which suggests that as the concentration of large firms increases, they produce homogeneous output. This provides an opportunity for innovative, specialized firms to produce products that appeal to narrow markets. As these products gain market share, the larger firms co-opt the smaller ones, which then creates opportunities for new specialized firms to enter the market. This study points to the need to reevaluate the methodology employed when analyzing traditional media outlets as technology changes. But whether this holds in other media industries, where the cost to enter the market is higher than in the phonogram industry, has not been studied.

Nevertheless, the explosion in alternative media sources, from the Internet to cell phones to two-way communication devices, has added to the ever-increasing availability of information, which also can further diminish the relative power of media conglomerates (On that chart, 1996). This explosion in information availability can have the effect of decreasing the power of elite organizations, for as choices multiply the prominence of any one media outlet is diminished (Goldstein, 1998). According to this argument, we are entering a golden age of competition, where more information, from more sources, is available, and where size and type of organizational structure should not matter - market share and the availability of information should be the true measure of analysis (Rattner, 1996).

At first glance, this may be the case. It has been shown empirically that there are more outlets and more content choices for consumers. It is possible that the radically changing

media landscape, featuring new technology and new methods of consumption, has altered the way we should analyze media ownership. But at the same time, while content has increased, the question of whether that content is more diversified and reflects a broad range of opinions is suspect (Turow, 1994).

Theoretical Perspectives

What is clear from the literature discussed above is that there is no definitive answer as to the impact of increased consolidation and conglomeration within the media industry. Both sides of the discussion offer powerful and relevant arguments, raising interesting and complex questions regarding the structure of media organizations that should continue to be debated.

However, in order for this debate to occur the public must, at a minimum, be aware of these issues. Becker, Whitney, and Collins (1980) looked at audience knowledge of news operations and found that audiences were "least knowledgeable about ownership" (p. 578). If this continues to be true today, it raises questions as to the potential for a vigorous public debate on the control and ownership of media outlets.

This study, however, does not focus on audience knowledge, assuming that the availability and dissemination of information must precede any debate on the issues, and instead focuses on the type and content of media news available. As Fishman (1980) argues, news should not be looked at as either distorting or reflecting reality, but is itself part of an overall system that creates reality. Through his example of New York's crime wave against the elderly in the 1970s, Fishman (1980) demonstrated that the construction of reality differed sharply from actual reality. But while events may be a construction of reality, it is a reality

nonetheless, *especially* in its consequences. The question then is how do newsmakers create the news, and how is this relevant to the debate on media ownership?

There is no shortage of available literature that explores influences upon media content, but perhaps the most relevant in this case is that research that has focused on news routines. Shoemaker and Reese (1996) discuss the "stable, patterned sets of expectations and constraints" (p. 107) common to media organizations that lead to the development of such routines. These routines, in turn, allow the organization to address such issues as consumer needs, organizational capabilities, and supplier constraints.

Routines are also helpful in that they allow the journalist to accommodate a variety of news stories. According to Fishman (1980), news stories are comprised of specific events, or what he calls phase structures. Each phase represents an event within the story, and journalists follow specific routines to uncover the information required to report on that phase. By so doing, journalists are able to quickly and instinctively cover a story.

These routines direct journalists toward bureaucratic structures, where information is readily available to report on the story (Fishman, 1980). At the same time, the journalist stays away from those structures not formally constructed or bureaucratically organized, as these structures do not offer immediate and/or relevant information.

Sigal (1973) presents a similar framework, describing channels of information that journalists rely on for information. These channels are broken down into routine channels (official proceedings, press releases, press conferences, and other staged events), informal channels (background, leaks, agency proceedings) and enterprise reporting channels. While both Sigal (1973) and Fishman (1980) primarily focus on political reporting, the same framework is relevant to business reporting, with corporate sources replacing government

sources in the routine channels, and financial pundits and industry trade groups now comprising the informal channels.

Although the limited number of sources that journalists rely upon can be problematic in political reporting, it can be even more so in business reporting, where public organizations and consumer advocates are not part of the usual channels or bureaucratic structures (as opposed to political reporting, where, for example, labor and nongovernmental organizations may be part of the informal channel). This is especially troublesome if structural change within the media industry is viewed as a business event, and not a consumer or public interest story.

Fishman (1980) also argues that journalists will provide minimal analysis of the root causes and future implications of an event, due to the limitation of sources within bureaucratic structures. This lack of analysis would be even more prevalent in business reporting, given the narrow scope of its bureaucratic structures.

Fishman (1980) and Sigal's (1973) framework can also be applied to individual media outlets. The overall editorial focus of a media outlet – hard news, lifestyle, business, etc. – not only defines which types of stories will be covered, it also defines the bureaucratic structures that journalists rely upon, which in turn limits the types of sources used in reporting. The expectation would be that a media outlet's editorial focus would drive both the type and tone of the stories covered.

But news routines do not only arise from the daily requirements of the job; they also develop organizationally. And with the rise of larger, ever-widening corporate structures, beholden to market returns and analyst reports, the need to avoid conflict results in generally accepted practices that drive organizational decisions, with those practices that may cause distress or address ambiguous issues avoided. Shoemaker and Reese (1996) provide a

framework for analyzing this pattern through six levels of influence upon media content – individual, organizational, extramedia, ideological, and through media routines – all of which work in connection with the others. While their research points to little impact due to individual differences, they argue that professional roles are a factor in the choices made by employees within media organizations. These choices are themselves influenced by established media routines, bureaucratic structures that both help deal with constraints as well as create them, as well as organizational factors, including economic motives. Economics also comes into play when looking at the extramedia level, where advertisers demand specific audiences, thus influencing content decisions. Taken as a whole, this analysis supports a viewpoint that the media industry is risk-averse, where special interests and economic considerations drive the organizational decision-making process, which permeate through all levels of the organization.

This perspective reflects a hypothesis proposed by McChesney (1992) that the corporate media have cultivated an ideology that supports the status quo, to the exclusion of alternative viewpoints. While McChesney's hypothesis focuses on the public, it can be argued that it fits equally as well for employees within media organizations, where risks to personal livelihood could help reinforce their focus on content supporting the dominant ideology. Donohue, Tichenor, and Olien (1995) provide a related concept, the guard dog role of the media, which also posits that the media supports dominant ideology. The guard dog perspective views the media as a sentry for those groups who have power and influence, as opposed to the traditional watchdog perspective, where the media act on behalf of society. Even though the media may cover issues pertaining to powerful entities, as a guard dog they will only present coverage in a constrained way, under conditions that do not disrupt the

overall status and importance of the powerful elite. As such, this perspective views the media as dependent upon dominant powers.

The research of McChesney (1992) and Donohue et. al. (1995) points to an organizational agenda setting, with an increased reliance on organizational values and norms, both for the good of employees and for the prosperity of the organization. These norms are increasingly being set from above, as the dynamics of technological innovation, corporate change, and growing corporate interdependence have led to an increasing need for one agenda within and across organizations to diminish dissonance and allow the organization to prosper in an environment of industry consolidation. As Donohue et. al. (1995) argued, conflict will occur, and will be covered by media outlets, but this conflict will remain limited in scope so as not to upset the system.

Turow (1994) believes this is accomplished through silent routines between employees in an organization. These routines are based upon silent bargains, where an unstated negotiation takes place that allows different sides to understand the other side's perspective, although the extent of this bargaining is limited by the more powerful party. Over time, these silent bargains add up, helping to establish norms of self-coverage. When these norms are established and in place, silent routines occur, since stakeholders understand organizational limits and therefore no longer need to bargain. In other words, employees learn what is and isn't allowed and then act accordingly. From this perspective, organizational norms are not just supported by written rules, but also from silent bargains that become entrenched as silent routines. Since these silent bargains and silent routines take place among all levels of employees, it would be expected that values and norms that start at the top of the organization would be disseminated down the corporate level, creating an environment where everyone knows what is and is not permitted.

What is the impact of these silent routines across different media organizations? Given this framework, it would be expected that in an environment of growing media consolidation and interdependence that similar values and norms would travel across subsidiaries, divisions, and departments, creating similar values throughout and across organizations, leading to similar coverage based on a similar agenda. Even though organizations may have different owners or types of ownership structures, the economic focus and oligopolistic nature of the industry as a whole should lead to a similar risk-averse system, with news coverage by mainstream media outlets reflecting an elite and corporate viewpoint. So while different media outlets will, as discussed earlier, chooses different stories to cover based upon their editorial focus, *how* they cover similar issues should reflect shared values.

This similarity would be seen most often when the social or economic system is questioned or is in danger. Within this study, the expectation would be that issues pertaining to the structural change of media organizations, such as consolidation, divestitures, and mergers, would fit within this category, leading different outlets to offer coverage from a similar perspective. This similarity in coverage would result from both the organizational pressures mentioned above as well as the daily demands of newsgathering, leading to a similar perspective that reflects a shared news value across media organizations.

Bennett (1998) provides some insight into what form this shared news value might take. He described the presentation of news as a "good-guys-versus-bad-guys melodrama" (p. xiv), or what can be called the entertainment approach to news content. News, according to Bennett (1998), is characterized by personalization, dramatization, fragmentation, and normalization. In this way the media presents stories by focusing on the individuals involved in the event – and not the structures or issues surrounding the event. Just as routines may inhibit an analysis of the root cause and future implications of a story, these characteristics

result in news fragments without any relation to other events or issues, preventing in-depth analysis and debate.

Hypotheses

These findings point to different article choices by different media outlets, yet similar content within articles of similar themes across media outlets, which can be applied to the two research questions stated earlier.

Looking at the first research question – how do editorial decisions, with regard to the selection of stories about the media industry, compare among competing media outlets? – the expectation is that the selection of stories should reflect independent editorial decisions, and not a shared agenda. This would especially be the case if media outlets had varying organizational structures, corporate goals, and/or positioning strategy, which should lead to different editorial values, and therefore a variation in content. Thus hypothesis 1 states:

- *H1: The more news oriented a magazine is, the less its coverage of the media industry will focus on celebrities, and the more it will focus on industry and consumer issues.*

Turning to research question two – how does coverage of structural change within the media industry compare in type and tone of coverage across competing media outlets? The focus now becomes the way different media organizations cover the same topic. While hypothesis 1 posits that the choice of stories regarding the media industry would differ across media outlets, previous literature points to a similarity within specific story content, leading to the hypothesis that coverage of structural change is comparable across media outlets, regardless of organizational structure, corporate goals, and/or positioning strategy. However,

because it is difficult to test the null hypothesis, the following hypothesis will be tested instead, with the expectation that it will not be supported:

- *H2: The more news oriented a magazine is, the less its coverage of structural change within the media industry will focus on individual relationships and personalities, and the more it will focus on consumer and public issues.*

## Method

To test the two hypotheses, a content analysis of three news magazines, *Time*, *Newsweek*, and *U.S. News & World Report*, was conducted on all issues released between January 1, 1997 and September 1, 2000 (N=559; $N_{Time}$=189, $N_{Newsweek}$=188, $N_{U.S.\ News}$=182). This time period was chosen for two reasons: it includes some of the largest consolidation cases within the media industry (measured in size and/or value), including Time Warner/AOL, Viacom/CBS, Bertelsmann/Random House, Seagram/Polygram, AT&T/TCI/MediaOne, and Vivendi/Seagram, and it coincides with a period of increased attention by academicians on the topic of media consolidation. *Time*, *Newsweek*, and *U.S. News & World Report* were chosen due to their stature as the nation's largest mainstream newsmagazines, with a combined weekly circulation approaching 10 million (Bacon's Magazine Directory, 2000). In addition, each magazine is part of a distinct ownership structure and features a slightly different editorial focus. *Time*, a lifestyle and news publication, is part of Time Warner (1998 revenues of $14.3 billion), one of the top-tier media conglomerates, with holdings in print, cable, broadcast television, and magazines, almost all primarily focused on entertainment. *Newsweek* is also owned by a large, but much smaller, media organization, the Washington Post Co. (1998 revenues of $1.9 billion), that unlike Time Warner is primarily focused on news and information. *Newsweek* also focuses more on

news, although lifestyle reporting is a large part of its editorial mix. *U.S. News & World Report*, which has a hard news editorial policy, is part of the smallest media empire of the three, Zuckerman Media Properties (1998 revenues of $584 million), with holdings primarily in news. Unlike *Time* and *Newsweek*, *U.S. News & World Report* is housed within a much more entrepreneurial structured organization, led by owner Mort Zuckerman.

To test the first hypothesis, the magazine was treated as the independent variable and the selection of articles within each magazine was the unit of analysis. A census was conducted to review all issues to identify all articles pertaining to the media industry, with the exception of film, television, and electronic equipment reviews, unless those reviews dealt specifically with their impact upon the media industry, a specific company within the media industry, or the management, employees, and/or artists within the media industry. These articles were coded according to the overall theme of the article, the dependent variable, with the intent of comparing the overall choice of topics made by each magazine. The reliability of this dependent variable, article theme, was established with a Scott's Pi of .70. These themes were defined as:

- Structural Change – Articles focusing on mergers, acquisitions, divestitures, etc.
- Administrative Strategy – Articles focusing on administrative functioning of a media organization.
- Content Strategy – Articles focusing on the creation, marketing, or choice of content by media outlets.
- Celebrity Focus – Articles featuring a profile or news item relating to a media celebrity.
- Management Focus – Articles featuring a profile or news item relating to an executive within the media industry.

- Technology – Articles focusing on the impact of technology upon the media industry.
- Public Interest – Articles focusing on the impact of the media industry or media content upon society and consumers.
- Other – Articles with themes not fitting in categories above

To test the second hypothesis, only those articles defined as having a theme of structural change were analyzed in-depth, with the intent of aggregating data by magazine. Thus the independent variable was the magazine, the unit of analysis was the individual articles, and the following were dependent variables.

First, to measure to content of each article, all sentences within each structural change article were coded according to the themes below, with the number of sentences coded for each of the themes then totaled to arrive at a single variable representing the total number of appearances for *each* sentence theme per article (thus six variables coinciding with the six themes). Reliability of these variables was established through a Scott's Pi of .71. The six sentence variables coded were:

- Public Advocacy – Sentence focuses on the social and/or cultural impact of topic.
- Consumer Interest – Sentence focuses on consumer concerns, such as price, quantity, etc.
- Stockholder Interest – Sentence focuses on issues pertaining to individual stockholders.
- Personality/Relationship – Sentence focuses on an individual character or characters whose power or influence shapes policy or business decisions.
- Strategic Approach – Sentence focuses on the strategic or financial decision-making process of a company, and/or implications of these decisions.

- Other – Sentences not fitting in categories above

Next, the first occurrence of each of the six variables above, within each article, was recorded. The first occurrence of *each* was coded as a separate variable (thus six first occurrence variables coinciding with the six sentence variables above).

Finally, all sources used by the author within each article were coded. Every sentence featuring a source, either cited directly or paraphrased, was recorded according to the eight source variables below. The number of sources coded for each then was totaled to arrive at a single count representing the total number of sources for *each* source variable per article (thus eight variables coinciding with the eight sources). Reliability of this coding structure was achieved with a Scott's Pi of .81. The sources coded were:

- Industry Employee
- Industry Lobbyist/Trade Organization
- Consumer/Consumer Organization
- Educator/Educational Institution
- Analyst/Investment Banker
- Government Official
- Other
- No Representation Given

## Results

### Thematic Analysis

*Descriptive Data*

Of the 559 magazines analyzed, a total of 557 articles relating to the media industry were identified. Of these 557 articles, 187 were found in *Time*, 234 in *Newsweek*, and 136 in *U.S. News & World Report*.

Table 1 lists the percentage frequency of each theme within each magazine. Both *Time* and *Newsweek* had a disproportionate number of articles focusing on celebrities – 51.9% and 34.2% respectively – while *U.S. News & World Report* had a much heavier emphasis on stories dealing with consumer issues (37.5%).

Table 1. Crosstabulation of article themes by magazine, in percentages

| | Time | Newsweek | U.S. News | All Magazines |
|---|---|---|---|---|
| Structural Change | 10.2% | 15% | 20.6% | 14.7% |
| Administrative Strategy | 7% | 12.4% | 12.5% | 10.6% |
| Content Strategy | 5.9% | 7.7% | 8.8% | 7.4% |
| Celebrity Profile | **51.9%** | **34.2%** | 5.1% | **33%** |
| Management Profile | 8.6% | 8.5% | 4.4% | 7.5% |
| Technology | 5.3% | 4.7% | 11% | 6.5% |
| Consumer Interest | 10.2% | 15.8% | **37.5%** | 19.2% |
| Other | 1.1% | 1.3% | 0% | .9% |
| Total | 100%<br>N=187 | 100%<br>N=234 | 100%<br>N=136 | 100%<br>N=557 |

$X^2$=106.86, df=16, p<.01
Cramer's V=.31

*Test of H1: The more news oriented a magazine is, the less its coverage of the media industry will focus on celebrities, and the more it will focus on industry and consumer issues.*

H1 posits that there is a statistically significant difference among media outlets, here represented by each magazine, and their selection of media article topics. Analysis reveals a statistically significant relationship, albeit a small one. This relationship is most apparent when comparing *U.S. News & World Report* with both *Time* and *Newsweek*, with *U.S. News & World Report* offering a much greater percentage of consumer interest stories than the other two. Yet given the number of articles coded for each of the magazines, this difference is much less pronounced when looking at raw scores. Overall, hypothesis 1 is supported.

Article Analysis

*Descriptive Data*

All articles coded as structural change were further analyzed to measure the article perspective variables (by number of sentences for each theme per article), first appearance variables (the sentence number for the first appearance of each theme in each article), as well as the type of sources used in each article. A few aspects of the data stand out. First, there were very few structural change stories as a percentage of the overall number of media stories within each magazine, especially *Time* and *Newsweek*. As Table 1 shows, *Time* devoted only 10% of its media stories to structural change stories, and *Newsweek* was slightly higher at 15%. *U.S. News & World Report* had the most coverage, as a percentage of total stories, with 20% devoted to structural change. However, looking at the total number of stories, *Newsweek* (n=35) had 20% more than *U.S. News & World Report* (n=28), and 45% more than *Time* (n=19).

Looking at the content of each structural change article, Table 2 presents the percentage and number of articles within each magazine title that contain the various sentence themes. As shown, all three magazines devote very little space to the three measures dealing with the public: public advocacy, consumer interest, and stockholder interest. Public advocacy appears in only two *Newsweek* articles and three articles in *Time* and *U.S. News & World Report*, and consumer interest appears in only 11 articles in *Time*, 15 in *Newsweek*, and 16 in *U.S. News & World Report*.

Table 2. Percentage and number of structural change stories containing each sentence theme

| | Time | Newsweek | U.S. News |
|---|---|---|---|
| Public Advocacy | 16% (3) | 6% (2) | 11% (3) |
| Consumer Interest | 58% (11) | 43% (15) | 57% (16) |
| Stockholder Interest | 42% (8) | 40% (14) | 39% (11) |
| Personality | 95% (18) | 100% (35) | 86% (24) |
| Strategic | 100% (19) | 100% (35) | 100% (28) |
| | N=19 | N=35 | N=28 |

Table 3 elaborates on these results by showing the mean number of occurrences for each sentence theme, presented as a percentage of the total article to control for varying article lengths. This data further demonstrates that all three magazines devote very little space to the three measures of public issues. For example, none of the magazines have a mean above .5 for public advocacy, meaning that all three magazines average less than .5 percent of each structural change article on public advocacy issues. All three magazines have a mean less than 6 for consumer interest and stockholder interest, thus devoting less than 6 percent of

each article to either consumer or stockholder interest. By far the most common sentence for all three magazines are those dealing with strategic issues, followed by those focusing on personalities, with the split between strategic and personality sentences nearly even in *Time* and *Newsweek*. An analysis of variance for each of the sentence theme variables reveals no significance for the public issues, but does show significance for both the personality and strategic article perspective variables. A post-hoc analysis using the Bonferroni test shows significance in these variables for comparisons involving *U.S. News & World Report* and *Time*, and for comparisons involving *U.S. News & World Report* and *Newsweek*; no other significance was found.

Table 3. Mean # of sentences, standard deviations, and ANOVA results for sentence themes

| | Time | | Newsweek | | U.S. News | | ANOVA | |
|---|---|---|---|---|---|---|---|---|
| | Mean | StDev | Mean | StDev | Mean | StDev | F | Sig. |
| Public Advocacy | .47 | 1.22 | .36 | .13 | .36 | 1.3 | .785 | .459 |
| Consumer Interest | 3.69 | 5.91 | 2.63 | 4.48 | 5.77 | 7.76 | 2.089 | .131 |
| Stockholder Interest | 2.74 | 7.18 | 2.34 | 3.76 | 3.43 | 6.04 | .307 | .736 |
| Personality | 40.19 | 19.55 | 40.18 | 21.94 | 23.65 | 20.66 | 5.722 | .005 |
| Strategic | 45.54 | 17.04 | 43.49 | 17.39 | 62.63 | 18.76 | 9.964 | .000 |
| Other | 7.5 | 5.3 | 11.23 | 8.2 | 4.16 | 4.22 | 9.458 | .000 |
| | 100% N=19 | | 100% N=35 | | 100% N=28 | | | |

*Means are presented in percentage form to control for articles of varying lengths

Looking at when each of these sentence themes first appear in structural change articles, the mean data reveals very little difference between all three magazines (Table 4). For example, public advocacy issues were first covered, on average, at the 49th sentence for

*Time*, the 32nd sentence for *Newsweek*, and the 46th sentence for *U.S. News & World Report*, while strategic and personality issues were covered within the first six sentences for all three magazines. While there were some differences, most notable with consumer interest and stockholder interest, with sentences in *U.S. News & World Report* appearing much earlier than *Time* and *Newsweek* for this variable, an analysis of variance found no significance. This lack of significance is likely due to the length of stories, with those in *U.S. News & World Report* much shorter (Appendix 3).

Table 4. First occurrence of each theme – mean sentence, standard deviation, and ANOVA

| | Time | | Newsweek | | U.S. News | | ANOVA | |
|---|---|---|---|---|---|---|---|---|
| | Mean | StDev | Mean | StDev | Mean | StDev | F | Sig. |
| Public Advocacy | 49.00 | 42.58 | 32.50 | 10.61 | 46.00 | 50.32 | .100 | .907 |
| Consumer Interest | 37.18 | 35.59 | 29.20 | 26.33 | 14.44 | 12.08 | 2.908 | .066 |
| Stockholder Interest | 37.00 | 40.62 | 22.14 | 18.96 | 13.18 | 14.24 | 2.167 | .132 |
| Personality | 2.72 | 3.64 | 5.17 | 7.41 | 5.38 | 7.57 | .966 | .385 |
| Strategic | 4.16 | 5.41 | 4.14 | 4.35 | 3.04 | 2.57 | .668 | .516 |
| Other | 10.72 | 12.42 | 8.06 | 9.52 | 7.88 | 10.12 | .447 | .642 |
| | N=19 | | N=35 | | N=28 | | | |

As for sources within each article, those most often quoted or cited are industry employees and analysts, with *Time* and *Newsweek* relying most often on industry employees and *U.S .News & World Report* focusing on analysts. Table 5 presents each magazines use of sources aggregated for all structural change articles, demonstrating all three magazines' reliance on industry sources and analysts. For example, when a source was used by *Time*,

more than 70 percent of the time it was an industry employee and more than 15 percent of the time it was an analyst, with a consumer representative relied on only 1 percent of the time. In fact, all three magazines show very little usage of consumer or educator sources, as would be expected from the results of the sentence theme variables discussed above. An analysis of variance shows significant difference only within the industry employee and analyst variables – a result, according to a Bonferroni test, of differences between *U.S. News & World Report* and the other two magazines. No significance was found within the other source variables.

Table 5. Percentage of sources used across all articles - mean, standard deviation, and ANOVA

| | Time | | Newsweek | | U.S. News | | ANOVA | |
|---|---|---|---|---|---|---|---|---|
| | Mean | StDev | Mean | StDev | Mean | StDev | F | Sig. |
| Industry Employee | 71.47 | 24.64 | 66.54 | 39.84 | 36.00 | 31.66 | 8.375 | .001 |
| Industry Lobbyist | 2.06 | 5.17 | .48 | 2.82 | 1.89 | 6.70 | .891 | .414 |
| Consumer | 1.05 | 4.58 | .48 | 2.82 | .70 | 2.61 | .194 | .824 |
| Educator | .88 | 3.82 | 0 | 0 | 1.00 | 4.34 | .951 | .391 |
| Analyst | 15.76 | 18.34 | 5.65 | 12.19 | 36.16 | 34.12 | 13.55 | .000 |
| Government | 3.39 | 7.46 | .57 | 3.38 | 3.57 | 11.43 | 1.38 | .257 |
| | 100%<br>N=19 | | 100%<br>N=35 | | 100%<br>N=28 | | | |

*Test of H2: The more news oriented a magazine is, the less its coverage of structural change within the media industry will focus on individual relationships and personalities, and the more it will focus on consumer and public issues.*

While there are differences between the coverage of *Time*, *Newsweek*, and *U.S. News & World Report*, statistical analysis reveals very little significant differences between them when it comes to public issues. The use of industry and analyst sources is a strong indicator of this, as is the focus on personalities and strategy instead of consumer issues. However, there are some statistical differences between *U.S. News & World Report* and both *Time* and *Newsweek*, with *U.S. News & World Report* relying less on the personality battles as described by Bennett (1998), and instead focusing on the nuts and bolts strategy of the deal. But given the difference in length between stories in *U.S. News & World Report* compared to both *Time* and *Newsweek* (Appendix 3) it would appear that there is actually very little difference in the coverage. Overall, H2 is partially supported.

## Discussion

The results of this study raise serious questions regarding the type of coverage the media devote to issues pertaining to the media industry. While differences were found between the editorial decisions on story choice of each of the three magazines studied here, all three had very few articles devoted to structural change. Consequently, the immense changes occurring within the media industry are receiving short shrift, raising questions as to how educated consumers are about these changes. While H1 is supported through statistical analysis, there is a question of whether the differences between these three magazines are actually beneficial to the consumer. Even what appears to be a bright spot, the coverage of consumer interest stories by *U.S. News & World Report*, loses its luster when looking at raw scores, which shows that while *U.S. News & World Report* may offer a higher percentage of consumer interest stories, its raw number is about the same as *Newsweek* and *Time*. In

addition, the shorter length of many of the articles in *U.S. News & World Report* limits the depth of its articles, and thus the resultant value to the reader.

The in-depth analysis of the structural change articles to test H2 raises additional questions, with important implications. None of the magazines devote very much space to any of the consumer measures, instead primarily framing these stories as personality pieces, and how personalities impact strategy. This supports Bennett's (1988) contention that the news is entertainment as opposed to information. Just as politics is covered as a race, as opposed to a public issue, coverage of structural change is presented as a battle of media titans, with such executives as Levin, Eisner, Case, and Middlehoff using their wily managerial skills as they vie for the best deal. This soap-opera approach provides for an entertaining story, but in most cases does not provide insight into the implication of the event. This in turn limits the debate over the impact of structural change within the media industry, as consumers are without the background information required to be an active and educated participant in such a debate.

Not covered in this study, but of possible relevance, is the selection of the journalists who cover the media industry for all three magazines. Do these journalists come from a business, media, economic, or consumer interest perspective? As a journalist's regular beat drives the bureaucratic structures (Fishman, 1980) relied on for information, the editorial decision of who covers such stories could impact the ultimate tone of coverage.

Another limitation of this study is that only some of the structural change articles coded dealt with the largest of the media mergers, such as Time Warner/AOL and Viacom/CBS, while many others dealt with smaller issues, such as the launch of the Oxygen network or the sale of *The Daily Racing Form*. While these clearly fall within the realm of structural change, and are important in their own right, they nonetheless don't approach the

level of importance of the large-scale media mergers. While sub-group analysis was attempted on those cases identified as pertaining to the largest mergers, there were too few cases to make any significant observations. It may be helpful to include additional cases in future studies, although that raises other concerns, including whether coverage in earlier years is comparable to the current situation, as the scope and number of mergers has grown dramatically only recently.

It would also be helpful to bring in other media, both as a separate study and as a comparison to the results found here. It is possible that as media become more fractured that there is an increased focus on different types of coverage in different outlets, including print, broadcast, and new media, as each strives to differentiate their product. But if that is the case, what happens if readers, viewers, and Internet surfers rely on a single source for their information, or a single source for certain types of information, to the exclusion of other sources? If so, it becomes increasingly difficult for consumers to get an overall understanding of the world around them.

Overall, this study raises questions as to the media's coverage of the media industry. Whether this is due to self-censorship, is a result of the nature of magazine publishing, or is an anomaly based upon the three magazines chosen is unknown. In any case, additional research, both quantitative and qualitative, would be helpful in the further analysis of this topic.

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Appendix 1

Coding Protocol

*Introduction*

This protocol is aimed at assessing the amount and type of coverage of the media industry by three newsmagazines – *Time*, *Newsweek*, and *U.S. News and World Report*. All articles focusing on the media industry and have appeared in these three magazines between January 1, 1997 and October 1, 2000 will be analyzed. There are two goals of this study. The first is to measure the amount and type of coverage that the media devotes to covering themselves. The second goal is to further analyze those articles that deal with Structural Change to measure the similarities and differences in coverage between each magazine. This will be accomplished by categorizing each sentence of each article according to the approach taken by the author so as to ascertain how much space is devoted to each of five perspectives – Public Advocacy, Consumer Interest, Stockholder Interest, Personality/Relationship Driven, and Strategic Approach.

*Media Industry*

For the purpose of this study, the media industry includes all companies involved directly or indirectly in broadcasting, film, television, radio, and magazine, book, and newspaper publishing. Articles featuring telecommunication firms, such as AT&T, WorldCom, Sprint, etc., are included if the article is primarily focused on their media holdings, but are not included if the primary focus is on phone service, data delivery, etc.

*Types of articles selected*

All articles that focus on business, legal, social, and environmental issues of individual media companies or the industry as a whole, as well as those articles focused on the individuals involved in the management, creation, or delivery of media content, have been chosen. Only articles where the majority of coverage involves a media company or the media industry are included. Articles dealing with reviews of entertainment products (films, software, music, fashion, etc.) or new technology (DVD, PVR's, etc.) are not included, unless the article is focused on the impact of these products or technology upon the industry or companies within the industry.

*Structural Change*

Articles defined as having a theme of Structural Change will be further analyzed to gauge the type of coverage within these articles. Structural Change refers to mergers, acquisitions, divestitures, consolidation, etc.

*Procedure*

One coding form will be used for each magazine article. The following steps should be taken to complete each coding form.

***Article Analysis***

1) Title
*Check the title of magazine*

____1 – Time
____2 – Newsweek
____3 – U.S. News & World Report

2) Issue Date
*Cover date of issue in month, date, year form (i.e. 11/12/97). If date covers a period of time, use start date (i.e. November 12 – 19, 1997 would be 11/12/97)*

__/__/__

3) Article title
*Actual title of article*

_____

4) Article Theme
*Overall focus of article. If there is more than one theme mentioned in the article, choose the one that best describes the main focus of article.*

_____1 – Structural Change
*Articles focusing on a completed or potential merger, acquisition, sale, divestiture, etc. within the media industry.*

_____2 – Administrative Strategy
*Articles focusing on the administrative functioning of a media organization, including corporate maneuvering, human resource issues, day-to-day administrative decisions, etc.*

_____3 – Content Strategy
*Articles focusing on the creation, marketing, or choice of content, such as network programming strategy, marketing methodology for a publisher, etc. Does not include reviews of content, nor profiles of those appearing in, or responsible for said content. Does not include articles relating to technology's impact upon content, unless the content, and not the technology, is the primary focus of the article.*

_____4 – Celebrity Focus
*Articles featuring a profile or news item relating to a media celebrity, including actors, actresses, directors, authors, musicians, etc. Does not include reviews (film, television, music, etc.) that contain information on a celebrity, unless the primary focus of the article is the celebrity.*

_____5 – Management Focus
*Articles featuring a profile or news item relating to an executive, manager, owner, or group of such working within the media industry.*

_____6 – Technology
*Articles focusing on the impact of technology, new uses of technology, and new technological/audio-visual equipment, upon the media industry. Does not include articles reviewing new equipment for consumer or corporate use, unless the primary focus is on the technology's impact upon the industry and/or players within the industry.*

_____7 – Public Interest
*Articles focusing on the impact of the media industry, individual media companies, or media content upon society, consumers, etc. Includes articles focusing on consumer pricing, media effects, diversity of content, and ethics. Also includes any article or column that is primarily composed of social commentary related to the media industry or associated with individuals and/or companies in the media industry.*

_____8 – Other: Please state _____
*Articles other than those above. Please provide theme that you feel best reflects the article.*

5) Article Perspective – Sentence Count
*Each sentence of the article will be coded according to the categories described below. As you encounter a sentence that fits the definition for each category, place a hatch mark to the right of the category. Upon completion of the article total and place in space before each category. Only one category should be chosen for each sentence; the category chosen should be the one that BEST represents the focus of the sentence. The coder should consider the sentence in context to what is written earlier in that paragraph so as to choose the best category that would represent the meaning of that sentence as a reader comes across it. In addition, the coder should indicate the paragraph number in which each category first appears.*

_____ Public Advocacy
_____ Sentence where this first appears
*Sentence focuses on the social and/or cultural impact of the topic, such as diversity of coverage, quality of coverage, cultural/social implications, etc.*

_____ Consumer Interest
_____ Sentence where this first appears
*Sentence focuses on consumer concerns that are economic in nature, such as the price of a service, or relate to quantity, such as number of newspapers. This is not to be confused with public advocacy, which would include sentences that focus on the social or cultural implications, such as what the*

*death of a newspaper means to coverage of urban decay. Consumer interest would include such topics as the price of the newspaper changing or the number of cable channels increasing.*

_____ Stockholder Interest
_____ Sentence where this first appears
*Sentence focuses on issues pertaining to individual stockholders, including fluctuation of prices, how decisions will impact stockholders, and so forth. Does not include sentences that focus on corporate strategy and stock prices, management and stock prices, or strategy to deal with stock prices, unless the main focus of the sentence is the impact on individual stockholders.*

_____ Personality/Relationship
_____ Sentence where this first appears
*Sentence focuses on an individual character or characters whose power or influence is portrayed as likely to shape policy or business decisions, as well as sentences that concentrate on relationship issues as the determining factor of business decisions.*

_____ Strategic Approach
_____ Sentence where this first appears
*Sentence focuses on the strategic or financial decision-making process of a company, as well as the business or financial implications of these decisions. Includes sentences that focus on the impact of a policy decision upon the financial or strategic outlook of a company/industry. These sentences include such topics as stock price, market share, revenue projections, customer satisfaction, etc.*

_____ Other
_____ Sentence where this first appears
*Sentences with a focus not included in the categories above.*

6) Total number of sentences in article
*Total of sentences from all categories in question 4*

_____

7) Sources
*Each source used in the article will be coded according to the categories below. As you encounter a source, either cited directly, or paraphrased, place a hatch mark to the right of the category. Include each time the source is used*

____1 – Industry Employee
*Includes anyone who works for the company discussed in the article, or competitors/partners of the company discussed in the article.*

____2 – Industry Lobbyist/Consulting Organization/Trade Organization

*Includes any organization or representative of an organization that focuses on lobbying, consulting, or other such work on behalf of the media industry and/or companies within the media industry.*

____3 – Consumer/Consumer Advocate/Consumer Organization
*Includes any individual consumer, group of consumers, consumer organization or representative of an organization that focuses on consumer interest issues, or works on behalf of/represents consumers.*

____4 – Educator/Educational Organization
*Includes any organization or representative of an organization focused on education, including elementary, secondary, and post-secondary, educators/organizations.*

____5 –Analyst/Investment Banker
*Includes any organization or representative of an organization that analyzes companies within the media industry, the industry as a whole, or segments of the industry, as well as any organization or representative of an organization that analyzes, invests, or assists others in investing in the media industry.*

____6 – Government Official
*Includes any governmental organization/entity, or representative of such organizations or entities, both elected and appointed.*

____7 – Other: Please State
*Includes any source not listed above; please define source and include in space.*

____8 – No Representation Given
*Includes any source that has no identifying markers within the article.*

8) Total number of sources _____
*Total from question #7 above.*

Appendix 2

***Coding Form***

1) Title

____1 – Time
____2 – Newsweek
____3 – U.S. News & World Report

2) Issue Date __/__/__

3) Article title _____

4) Article Theme

_____1 – Structural Change
_____2 – Administrative Strategy
_____3 – Content Strategy
_____4 – Celebrity Profile
_____5 – Management Profile
_____6 – Technology
_____7 – Public Interest
_____8 – Other: Please state _____

5) Article Perspective

1 _____ Public Advocacy
_____ Sentence where this first appears

2 _____ Consumer Interest
_____ Sentence where this first appears

3 _____ Stockholder Interest
_____ Sentence where this first appears

4 _____ Personality/Relationship
_____ Sentence where this first appears

5 _____ Strategic Approach
_____ Sentence where this first appears

6 _____ Other
_____ Sentence where this first appears

6) Total number of sentences in article _____

7) Sources

____1 – Industry Employee
____2 – Industry Lobbyist/Consulting Organization
____3 – Consumer Advocate/Organization
____4 – Educator/Educational Organization
____5 –Analyst
____6 – Government Official
____7 – Other: Please State _____
____8 – No Representation Given

8) Total number of sources _____

*Content Differences Between Daily Newspapers*
*With Strong and Weak Market Orientations*

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ABSTRACT

This paper reports on results of a content analysis of the main display pages in 10 daily newspapers, five that have a relatively strong market orientation and five that have a relatively weak market orientation. The results offer support for both critics and supporters of market-driven journalism. The findings suggest that information about government and public life dominates the content published on the main display pages of all papers. But the findings also suggest that market-driven newspapers publish fewer items about public life and more about so-called lifestyle issues.

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> "Readers have become the newsroom's invisible giants, catered to on an unprecedented scale, elevated to the status of almost equal partner in decision-making."

In a 2000 article for *American Journalism Review*, the magazine's senior editor, Carl Sessions Stepp, describes a new culture that he says permeates the newsrooms of U.S. daily newspapers. It is a culture, he says, in which papers "court audiences with a gusto ranging from simple courtesy … to potential pandering."[1] It is a culture in which, as he writes above, readers have become giants.

Media scholars and critics have a label for this phenomenon: They call it market-driven or market-oriented journalism.[2] With its launch in 1982, *USA Today* became the prototype of the modern market-oriented daily newspaper. The news and editorial mission of "McPaper," as it was derisively called at its founding, was conjured as much from what market researchers discovered about the informational wants and needs of potential readers as from traditional professional beliefs about how newspapers should serve their communities.[3] For that, *USA Today* was belittled – and widely imitated.

Today, the newsrooms of hundreds of U.S. newspapers, magazines and television stations have embraced, to greater or lesser extents, market-driven journalism.[4] Typically, a market-oriented organization selects target markets for its product, identifies the wants and needs of potential customers in its target markets, and seeks to satisfy those wants and needs as efficiently as possible.[5] For news organizations, a strong market orientation implies a focus on defining and catering to the *informational* wants and needs of its audience.

This change in organizational culture has been has unsettling.[6] Critics of market-driven journalism have argued that this approach leads to the trivialization of media content.[7] They assert that the long-term consequence of market-oriented journalism is to deprive readers, viewers and listeners of the traditional public-affairs content that they need to function effectively as citizens. Supporters have countered that market-driven journalism will help save newspapers, news magazines and newscasts from irrelevance and will improve their long-term viability. And, they say, this strategy does not imply that news organizations must abandon public-service commitments to do so.[8]

This paper examines the claims of supporters and opponents of market-driven journalism. It begins by offering a theoretical framework for considering these charges and countercharges. That framework is grounded in scholarly work on professionalization. Then the paper reports on results of a content analysis of 10 daily newspapers, five that have newsrooms with a relatively strong market orientation and five that have newsrooms with a relatively weak market orientation. Approximately 10,000 articles were examined in the content analysis. Its results offer support for both sides in the debate over market-driven journalism. The findings show that information about government and public life dominates the content published on the main display pages of the 10 newspapers that were studied. But the findings also suggest that when compared with peers, market-driven newspapers publish proportionally fewer items about the public sphere and proportionally more items about lifestyle issues.

*Market-Oriented Newspapers*

The 1990s began as a decade of challenge for managers of U.S. daily newspapers. For some papers, the recession of 1991 called into question assumptions that general-circulation dailies could routinely provide the kind double-digit profit margins that investors had come to expect. Staff cutbacks, something relatively rare for daily newspapers during previous recessions, became more common.[9] The recession and its aftermath seemed to underscore the gravity of two long-term industry trends:

- Per capita circulation and readership of daily newspapers has been declining for decades (though some recent evidence suggests that this decline may be leveling off).[10] In 1999, about 57 percent of adults over 18 reported reading a daily paper during the week compared with about 78 percent in 1970.[11]
- The daily newspaper industry's share of total advertising spending has slipped about 7 percentage points, to 21.5 percent, since 1980.[12]

As the environment for daily newspapers became more hostile, many papers responded by adopting a stronger market orientation in hopes of bolstering circulation and readership.[13] Though the trend toward market-driven journalism began in the early 1980s, industry trade publications suggested that it gained momentum during and after the recession of the early 1990s.[14]

A strong market orientation implies that an organization's long-run success depends on identifying and fulfilling customers' and potential customers' wants and needs.[15] Though readers' interests have traditionally been part of the calculus journalists have used to determine "what's news," market-driven news organizations pay close attention to readers' or viewers' desires when making decisions about content.

Discussions in trade publications suggest that the market-oriented model has become more popular within the daily newspaper industry, and this development has been controversial. Supporters have argued that market-oriented journalism is essential to preserving the long-term viability of newspapers.[16] One prominent media executive who staked out this position more than a decade ago was the late James K. Batten, former president of Knight Ridder, the nation's second-largest newspaper publishing company. In a widely quoted speech that Batten gave in 1989, he said the "days when we could do newspapers our way, and tell the world to go to hell if it didn't like the results, are gone forever." He urged newspapers to become less product driven and more reader driven.[17] His admonition came four years after Meyer made a similar argument in *The Newspaper Survival Handbook*.[18]

Critics, however, have disparaged market-driven journalism as pandering to the audience, have said it undermines journalists' social responsibilities and have fretted about its ethical implications.[19] Rosen, for example, has condemned what he calls the commercialization of news, particularly on television, saying that media executives are too concerned with ratings, circulation, demographics and cost cutting.[20] He says the news media's "customer obsession" could mean less attention to serious stories of public importance.[21] That theme is also raised by Croteau and Hoynes: "... crude market-oriented media systems do not allow for any distinction between people's roles as consumers, which are private and individual, and their roles as citizens, which are public and collective. This is why market-oriented media have a tendency to produce economic benefits while simultaneously creating (or at least helping to sustain) democratic deficits."[22] And Nash, a former journalist, argues that competition for audiences is driving a trend toward trivial news. "By chasing the passing whims of focus groups and surveys, most newspapers have shriveled coverage of major political, economic, and

social issues in favour of soft features, personality profiles, how-to advice, and a focus on the process rather than the substance of governance."[23]

Though market-driven journalism is clearly controversial, relatively little systematic research has actually been done about its effects on media practices and content. And, the findings of the research that has been done is more equivocal than the rhetoric of its critics.

In *Market-Driven Journalism: Let the Citizens Beware?* McManus writes that for "journalism purists, the trend toward letting the logic of the marketplace into the newsroom is defilement, a blasphemy."[24] He points out that both supporters and critics believe that market-driven journalism has implications for the nature of public-affairs information available to society,[25] and his research on television news suggests that market-driven journalism contains less informative and less intelligible content than what he called normative journalism.[26] Underwood and Stamm also examined questions about market-oriented journalism in a study that used data from journalists at 12 daily newspapers.[27] They found that those newspapers were becoming more reader oriented and market driven. However, they did not find that this approach was always inconsistent with public-service goals. Beam, in a survey of more than 400 senior editors at 183 dailies, found that a strong market orientation was associated with greater use of readership research in content decision-making and with more collaboration between the newsroom and other departments in the organization. But he also found that while newsrooms with a strong market orientation said they placed a higher priority on publishing certain kinds of feature or specialized content, they did not differ from other newspapers in their self-described emphasis on public-affairs content.[28] Finally, an *American Journalism Review* content analysis of 10 daily newspapers from 1963 and 1999 doesn't appear to support assertions about the trivialization of news.[29] Over all, the analysis found relatively modest changes in content emphases during the time period studied. The results showed less attention in 1999 (than in 1963) to international news, to features and to coverage of celebrities, crime and protest. But it found more attention to business, the court system, education, government, politics, science, sports and weather.

All in all, the research presents a somewhat ambiguous picture of the possible consequences of market-driven journalism. Changes in content and journalistic practices

seem to be associated with the market-oriented model but not always as the critics have asserted.

*Professional Control*

Fundamentally, the movement toward market-driven journalism raises this question: What norms, values and practices will govern the production of content in news-media organizations? This is, in essence, a question of control – who or what will control content decision-making within a media organization.

Control is a central issue for all complex organizations, and these organizations rely on various mechanisms to try to ensure that members behave in predictable ways.[30] Some mechanisms are structural, such as rules or procedures ("we do not identify by name victims of sexual assault" or "reporters may not commit crimes for the purpose of gathering information"). Other control mechanisms are less formal. Organizational norms, values and practices are passed on to workers through socialization, as Breed, Tuchman and others have observed in their studies of news-making.[31] These norms, values and practices are reflected in the organization's culture, which helps channel worker behavior in hoped-for directions.[32] For some kinds of work, the profession is also a mechanism of control. Through professional training and membership, individuals come to understand the goals, values, techniques and practices that are accepted (or not accepted) by their profession.[33] Violation of the profession's ethics or practices can cost a worker his or her professional privilege – in essence, can result in expulsion from the profession. As with other professional workers, journalists are guided by professional goals and values.[34] Though journalism's professional organizations do not exert as much control over members as the American Medical Association and American Bar Association do over doctors and lawyers, violation of widely accepted ethics and standards of practice can cause journalists to lose their jobs or to jeopardize their careers.[35] In other words, even for a "semi-profession" like journalism, professional norms influence journalistic practice.

Today, many professionals work in complex organizations – in bureaucracies – and they seek to import their professional goals, values, techniques and practices into their workplaces. It's long been accepted that while this can benefit an organization by

providing an effective means for controlling complex work, this arrangement also gives rise to conflict when professional and organizational values do not coincide.[36] The movement toward market-driven journalism is an example of this kind of conflict. It represents a shift away from what might be called a professional model of news production[37] – a model in which the journalist relies mainly on his or her professional expertise to determine what's worth putting on the air or in the newspaper – and toward a market model of news production, which is seen as driven more by organizational needs to be commercially successful.[38] At a fundamental level, the professional and market-oriented models represent different strategies that organizations can adopt to try to control work effectively and achieve long-run success. Both strategies are reflected to some degree within any news organization. A balance is achieved, though at a specific point in time for a specific organization that balance may favor one approach (professional or market-oriented) more than the other. That's because the norms associated with these models do not always coincide.

Under a professional model, the norms and values that drive content creation are derived largely – perhaps exclusively – from what the profession has endorsed as acceptable. As an occupation professionalizes, it organizes itself into professional associations and works to gain direct or indirect control over its professional processes – content decision-making, in the case of journalism.[39] In essence, the profession seeks to insulate its processes from "inappropriate" outside influences. Members of the profession, collectively, decide what norms, values and practices are appropriate for its members. These goals, values and practices are conveyed through education and through professional associations. For example, public service has long been a professional norm for journalism, and that norm is embedded in the profession's ethics codes and creeds. A professional content-production model might work something like this: Through education and training, journalists become socialized to the goals, values and practices of the profession. These norms reflect the social roles news media organizations play and how those roles should be reflected in content decision-making. Because journalism might best be characterized as semi-professionalized, without a legally sanctioned governing body to set standards, these norms would be more fluid than for occupations such as law and medicine. Nonetheless, certain organizations (the

Society of Professional Journalists, the American Society of Newspaper Editors, the Radio and Television News Directors Associations, and so forth) seek to speak for the profession and to establish norms to guide its members. These norms are, in a sense, the generally accepted standards and practices for the profession. In a newsroom that operates under the professional model, priority would be given to content that is consistent with the what the *profession* deems valuable _ what the profession deems important for audience members to know. Audience desires might be a factor, but only as those desires would be filtered through professional judgments about what audience members need to know to manage their affairs. The probability is high that the "content agendas" of the profession and the audience would overlap, but they would not be identical.

One of the most prevalent professional values in journalism is an obligation to serve the public interest.[40] Many different kinds of content might be construed as fulfilling a public-service obligation, but a common way in which the profession has interpreted this obligation is to disseminate content about government activities. Consequently, many news organizations place a high priority on that content. Under the professional model, that practice presumably would continue even in the face of evidence that the audience had grown weary of reading or hearing about government affairs. These professional criteria for content selection would change across time, of course, but they would do so relatively slowly – or, we assume, more slowly than the informational wants and needs of the audience.

Under a market-driven model, content-selection practices would change more quickly to accommodate the audience's preference for something else. That is because an the audience is accorded a stronger role in determining what norms should guide content decision-making. Through market research, which is done more often at market-oriented news organizations,[41] audience members are given a chance to provide input on the content decision-making norms that news organization uses. Readers or viewers are asked what kinds of content they prefer and how they prefer to get it. The organization legitimizes this input, and the newsroom culture embraces it, making it an acceptable factor to consider in content decision-making.

Hypothetically, the process might work something like this: Through market research, newspaper readers or potential readers signal their interest in information about pet care. Perhaps this is content the organization does not now provide because it has not been viewed as necessary or even suitable. Through analysis of the market research, the organization learns of the growing audience interest in pet care. Editors or producers decide to make pet care a content priority and seek ways to satisfy the audience's desire for that kind of information. That desire is acknowledged when the organization buys a syndicated pet-care column, and editors decide to "open the news gates" more often to articles about pet care. To provide a crude example, the controversy over market-driven journalism arises because this process for determining that more pet-care content will be published challenges professional prerogative. Also, it isn't content that the profession values, so resistance to it arises – particularly if it's seen as replacing content that the profession *does* endorse.

I have described the professional and market-driven models in the abstract. They might be thought of as ideal types – as the ends of a continuum that reflect the distribution of power that "consumers" and "professionals" have in a news organization. In the concrete world, no news organizations would be found at either end of this continuum. Rather, they would be arrayed along the continuum. Said another way, I assume that the degree to which an organization is market oriented is a continuous variable, with some organizations embracing the market model more strongly than others. A further assumption is that movement toward the market model of news decision-making tends to coincide with movement away from a professional model. Though I assume that some of the content-related norms associated with the market and professional models overlap, they would not be identical. I have offered this explanation primarily to provide a rationale for expecting content differences between papers with a relatively strong market orientation and those with a relatively weak market orientation. (The critics of market-driven journalism seldom offer any rationale.) The rest of this paper is devoted to examining those differences.

*Hypotheses*

In the section above, I have explained why content should differ between news organizations – in this study, general-circulation daily newspapers – with relatively strong and weak market orientations. It is more difficult to predict the exact nature of those differences because, in part, they would vary from market to market. The informational wants and needs of the audience for Organization A would presumably differ from those for Organization B. Nonetheless, the work of communication scholars and media critics points toward some of the kinds of differences that I would be likely to expect.

One of the most frequently expressed fears about market-driven journalism is that it will drive the news media away from providing important information about the public sphere. Information that's useful for the public sphere is defined somewhat imprecisely, but Croteau and Hoynes broadly describe it as information about current events, government, civic affairs, the public interest and democratic processes.[42] Critics argue that newspapers operating under a market model will de-emphasize public-service journalism, leaving society without the information necessary to govern itself. The rationale for this argument is seldom spelled out, but the argument seems to embrace one or both of these assumptions: Readers do not want information about public life, therefore, market-oriented newspaper will not provide it. Readers prefer information on what might be called the private sphere – lifestyle, entertainment, recreation, "news to use" – and, therefore, market-oriented newspapers will provide it, presumably at the expense of content useful for the public sphere. Conversely, I should expect that news organizations with a weaker market orientation (more "professional") would be likely to emphasize public-sphere content more because it's consistent with what the profession endorses. These arguments should be reflected in four ways in the newspaper content that I analyzed:

> *Hypothesis 1 _ Newspapers with a relatively strong market orientation should place less emphasis on content about the public sphere than newspapers with a relatively weak market orientation.*

*Hypothesis 2 – Newspapers with a relatively strong market orientation should place more emphasis on content about the private sphere than newspapers with a relatively weak market orientation.*

*Hypothesis 3 – Newspapers with a relatively strong market orientation should place more emphasis on content about sports and other amusements than newspapers with a relatively weak market orientation.*

*Hypothesis 4 – Newspapers with a relatively strong market orientation should place less emphasis on investigative journalism than newspapers with a relatively weak market orientation.*

Critics also have suggested that market-oriented publications pay substantial attention to the publication's appearance and to providing readers with devices that allow for easy processing of information. Nash complains that "editors are spending less time considering content and much more on layout, graphics, typefaces, pictures and grabby headlines." [43] Two factors might provide a rationale for Nash's assertion. Lack of time has sometimes been cited as among the reasons for newspapers' circulation and readership problems.[44] One response to that has been for papers to provide summaries of articles and navigational aids to make the paper easier to use. A less flattering potential explanation relates to the general nature of mass culture. Cantor and Cantor, Bogart, Rosen and others have suggested that mass-culture products often are focused on "lowest-common-denominator content" in order to build the largest possible audience.[45] Extensive photos, graphics and summary boxes and navigational devices might be viewed as effective tools to appeal to audience members with comparatively low education levels – that is, audience members for whom lowest-common-denominator content would be most suitable. That could be reflected in two ways in newspaper content:

*Hypothesis 5 _ Newspapers with a relatively strong market orientation should place more emphasis on visual content than newspapers with a relatively weak market orientation.*

*Hypothesis 6 _ Newspapers with a relatively strong market orientation should place more emphasis on providing content summaries and other navigational devices to improve ease of reading than newspapers with a relatively weak market orientation.*

*Definitions, Sample and Measures*

A strong market orientation involves an organizational commitment to meeting the wants and needs of customers in the firm's target markets, a notion that is common to most formal definitions of market orientation.[46] Kohli and Jaworski[47] define market orientation this way:

> "... a market orientation entails 1) one or more departments engaging in activities geared toward developing an understanding of customers' current and future needs and the factors affecting them, 2) sharing of this understanding across departments, and 3) the various departments engaging in activities designed to meet select customer needs."

That definition, emphasizing three dimensions of market orientation, formed the basis for research that Kohli and Jaworski conducted to measure market orientation within an organization. The three dimensions of their measurement approach were:

- *Intelligence-generation*. This refers to an organization's efforts to collect and assess information about customer needs and preferences and about forces that may influence the development and refinement of those needs and preferences.
- *Intelligence-dissemination*. This refers to the extent to which market information (information about needs, preferences and forces that influence needs or preferences) is exchanged with an organization.
- *Responsiveness*. This refers to action taken in response to intelligence that is generated and disseminated about customer needs and preferences.

The Kohli and Jaworski conceptual definition provided the foundation for the market-orientation measures developed for an earlier phase of this study – a national

survey of general-circulation daily newspapers. Fifteen survey items were created to tap into structural characteristics of newspaper newsrooms that would provide evidence of the strength of the organization's market orientation on the three dimensions – intelligence generation, intelligence dissemination and responsiveness. These items were administered in a mail survey of senior editors at U.S. dailies. The survey was conducted from April through July 1996.

Initially, 893 senior editors were contacted at 215 newspaper companies. These editors typically were in supervisory positions, usually at the department-head level and above. They were selected because they were likely to be aware of organizational practices on content selection, readership research, and organizational goals and policies. Multiple editors were contacted at each publication. Their papers were selected using a disproportionate stratified probability sample. That sampling technique permitted an adequate representation of newspapers of all sizes from within the population of 1,458 U.S. daily newspaper firms.[48] In selecting the sample, large and medium-sized newspapers were over-sampled; though they accounted for two-thirds of aggregate daily circulation they represented only 14 percent of all newspaper firms.[49] The objective was to make certain that an adequate number of those relatively rare but important organizations were part of the sample.

Of the 893 editors surveyed, 406 provided usable responses, for an individual response rate of 45.5 percent. These editors represented 183 newspapers, yielding an organizational response rate of 85 percent. Editors' responses were aggregated within a newspaper to produce an organizational-level measure for the items used to assess strength of market orientation.[50] The items were subsequently combined into a summated index to assess strength of market orientation. The index was subjected to item analysis and reliability assessment. Table 1 shows the means and standard deviations for the items. The alpha reliability coefficient for the market-orientation index was .92.

Table 1

Means, standard deviations for market orientation items.

| Items for market-orientation index | Mean | SD |
|---|---|---|
| *Intelligence generation* | | |
| This newspaper tries hard to keep up with changes in readers' interests. | 5.32 | 1.11 |
| This newspaper does a lot of research into readers' wants and needs. | 3.81 | 1.55 |
| This newspaper is slow to detect changes that might influence what readers want or need from their newspaper. | 3.69 | 1.28 |
| This newspaper devotes a relatively large amount of resources to trying to understand what readers want or need in their newspaper. | 3.28 | 1.43 |
| This newspaper systematically assesses any information it has on what readers like or don't like about the newspaper. | 3.86 | 1.50 |
| This newspaper pays little attention to what readers say they want or need in their newspaper. | 2.49 | 1.18 |
| *Intelligence dissemination* | | |
| This newspaper wants its senior editors to meet regularly to discuss readers' wants or needs. | 4.46 | 1.52 |
| This newspaper disseminates throughout the newsroom any information it has collected from reader research. | 4.10 | 1.60 |
| This newspaper seldom circulates the findings of reader research among reporters and lower-level editors. | 3.71 | 1.74 |
| This newspaper is the kind of place where there's a lot of discussion about what readers want or need in their newspaper. | 4.69 | 1.34 |
| This newspaper periodically has meetings between senior editors and representatives of other newspaper departments to talk about ways to meet readers' wants and needs. | 4.29 | 1.55 |
| *Responsiveness* | | |
| This newspaper seldom makes content changes based on results of reader research. | 3.22 | 1.41 |
| This newspaper is slow to respond to readers' suggestions for new kinds of content. | 3.49 | 1.23 |
| This newspaper periodically examines how content might be changed to ensure that it's in line with readers' interests. | 4.73 | 1.33 |
| This newspaper regularly uses information it collects about readers' interests to refine the newspaper's content. | 4.14 | 1.51 |

Notes: The response scale ranged from "very strongly disagree" (1) to "very strongly agree" (7). For negatively phrased items, the response scale was reversed in analyses.

On the basis of the survey findings, 10 newspapers were selected for the content analyses – five from among the 10 papers with the strongest market orientation and five from among the 10 papers with the weakest market orientation.[51] Of the five strong-market-orientation papers, two were from the large-circulation sample category, two from the small-circulation category and one from the medium-circulation category. Of the five weak-market-orientation papers, two were from the large-circulation category, two from the medium-circulation category and one from the small-circulation category.

A constructed four-week sample of the papers was created for analysis – 24 weekday issues and four Sunday issues. In each issue, six or seven main display pages were examined – Page 1, the main national and/or international news page, the main local news page, the main features page, the main business page and the main sports page.[52] In the event that more than one full page met the selection criteria, the page that was analyzed was randomly selected. This situation arose primarily for the main features page where, for example, a paper might have a main display page for arts and entertainment, lifestyle and the home in the same issue.

The unit of observation in the content analysis was the content unit, which was defined as a self-contained narrative or visual, plus any supplemental textual, photographic or graphic information, that could be understood independently of other information surrounding it on the page. The 10-paper sample included 10,486 content units. A coding guide was developed and three coders, including the author, were trained in its use. Each content unit was coded on 16 characteristics, of which eight are examined in this paper. To calculate pretest reliability, each coder assessed 63 content units from six different display pages. The coding categories and their pretest reliability coefficients are:

- *Content topic.* Each content unit was coded for up to two of 45 possible topics. Krippendorff's alpha = .83 for content units with one topic coded and .64 for content units with a second topic coded.
- *Type of content item.* Each unit was coded into one of 12 categories, such as a routine news or feature article, a news analysis, an informational graphic/stand-alone photo and so forth. Krippendorff's alpha = .80.

- *Accompanying photographs.* The number of photos accompanying each unit was coded (excluding stand-alone photos, which were coded as their own content unit). Krippendorff's alpha = .95.
- *Accompanying graphics.* The number of graphics (excluding logos and stand-alone informational graphics) accompanying each unit. Krippendorff's alpha = .90.
- *Accompanying logos.* The number of logos accompanying each unit. Krippendorff's alpha = .58.
- *Content-unit summaries.* The number of visually distinct text-based summaries of the content unit. Krippendorff's alpha = .83.
- *Internal references.* The number of references to related content within that publication. Krippendorff's alpha = .93.

*Results*

The analyses that follow compare characteristics of the five newspapers that have a relatively strong market orientation with the five newspapers that have a relatively weak market orientation. To assess content differences between papers with relatively strong and weak market orientations, the 45 content categories were grouped into eight broader categories for the analyses reported below. They are:

- *Content about the public sphere.* This included items about government, diplomacy, health care policy, social services, crime and justice, land use, the environment and social protests or activism.
- *Content about government activities or policies, which is a subset of content about the public sphere.* This included only items about government and politics (excluding economics), diplomacy, military affairs, law enforcement, crime and the courts.
- *Content about events.* This included items about activities and events for community benefit or enjoyment and about accidents, near-accidents, tragedies or disasters.

- *Content about economics and business.* This included items about business, commerce, economic development, labor, economic trends, economic conditions and trade.
- *Content about the private sphere.* This included items about personal development, family life, personal consumerism, personal technology, personal recreation, personal health care and travel.
- *Content about coping, which is a subset of content about the private sphere.* This included only items focused on managing private affairs, such as continuing education, dealing with personal technology, vehicle repair or maintenance, home care, child care, gardening, personal finance, fitness or family life.
- *Content about sports.* This included items about men's and women's professional and amateur sports.
- *Content about amusements.* This included items about arts and entertainment, personalities, celebrities, comics, brights or syndicated features intended largely to amuse or entertain.

Tables 2 and 3 compare the topics covered in papers with weak and strong market orientations. Table 2 provides results across all six main display pages examined, and Table 3 provides results for Page 1 only.

Hypothesis 1 predicted that papers with a relatively strong market orientation would place less emphasis on content about the public sphere than papers with a weaker market orientation. The results support that hypothesis, though it's clear that both groups of newspapers continue to devote a substantial amount of attention to content about government and public life. Almost 45 percent of all content units focused on information about the public sphere. However, at the "strong" papers, a significantly lower percentage of all content units were devoted to public life (38.4 percent vs. 47.6 percent). The same was true when looking at government-oriented content (28.7 percent vs. 38.7 percent), which was a subset of the broader public-life category. A similar pattern emerged when focusing on only Page 1. The majority of Page 1 content units (about 61 percent) in all papers is about public life. But "strong" papers devoted significantly less attention than "weak" papers to content about the public sphere and

government affairs. No differences emerged in the attention paid to business and economics and to events, two content categories that some might group with the more traditional content about civic life.

Hypotheses 2 and 3 predicted that "strong" papers would devote significantly more attention to content about the private sphere, sports and amusements than would "weak" papers. Support was found for both hypotheses, as Tables 2 and 3 show. In the private sphere, coping and sports categories, the percentage of content units was significantly higher at the "strong" papers, though not for amusements (largely arts and entertainment coverage). Similar patterns were found for Page 1 content, though the differences were not as pronounced and did not reach conventional significance levels, probably because the numbers of items on those pages were much smaller.

Table 2

Percentages of items in eight content categories on main display pages at papers with weak and strong market orientations.

| Content Categories | Weak | Strong | |
|---|---|---|---|
| Public sphere | 47.6% | 38.4% | * |
| Government affairs[a] | 38.7 | 28.7 | * |
| Events | 9.0 | 8.4 | |
| Business, economics | 18.7 | 15.6 | |
| Sports | 11.7 | 18.1 | * |
| Private sphere | 10.8 | 15.5 | * |
| Coping[a] | 6.5 | 11.5 | * |
| Amusements | 6.9 | 8.3 | |

Notes: * Difference of proportions significant at $p \leq .05$. N of all items = 5,637 for papers with weak market orientations, N = 4,849 for papers with strong market orientations.
[a] A subset of the previous category.

Table 3

Percentages of items in eight content categories on Page 1 at papers with weak and strong market orientations.

| Content Categories | Weak | Strong | |
|---|---|---|---|
| Public sphere | 65.6% | 54.9% | * |
| Government affairs[a] | 54.0 | 40.4 | * |
| Events | 13.0 | 14.9 | |
| Business, economics | 13.2 | 13.3 | |
| Sports | 3.9 | 5.5 | |
| Private sphere | 9.4 | 13.3 | |
| Coping[a] | 7.0 | 10.3 | |
| Amusements | 2.8 | 4.0 | |

Notes: * Difference of proportions significant at $p \leq .05$. N of Page 1 items = 820 for papers with weak market orientations, N = 678 for papers with strong market orientations.
[a] A subset of the previous category.

Hypothesis 4 predicted that "strong" papers would be disinclined to do investigations or journalism that require an extraordinary commitment of organizational time or resources. The results show no support for this hypothesis. In the content analysis, each content unit was coded for its type. The item types were: Routine news or feature articles, news analyses or news commentary, special reports or investigations, columns or reviews, advice, reader letters or comments, informational graphics or stand-alone art, and headlines or teasers only (no article). Tables 4 and 5 show the relevant analyses. Only one significant difference was found – a higher percentage of the content units at "weak" papers are routine news and feature stories (82.5 percent vs. 77.3 percent). The social significance of that difference would be small because over all, routine news and features dominate the display pages of all newspapers. The pattern for Page 1 is much the same, though aggressive journalism – special reports, investigations, news analyses – is slightly more likely to be found at "strong" papers, and reader comments are slightly more likely at "weak" papers. (That finding results from a reader-comment feature that appeared regularly on Page 1 of one paper in the "weak" category.)

Table 4

Percentages of types of items on main display pages at papers with weak and strong market orientations.

| Content Type | Weak | Strong |
|---|---|---|
| Routine news, feature | 82.5% | 77.3% * |
| News analysis | 0.3 | 0.7 |
| Special reports, investigations | 0.2 | 0.9 |
| Column, review | 4.7 | 5.8 |
| Advice | 4.6 | 7.7 |
| Reader letters, comments | 0.6 | 0.5 |
| Informational graphics, stand-alone art | 6.2 | 5.9 |
| Other, headlines only | 0.9 | 1.1 |

Notes: * Difference of proportions significant at $p \leq .05$. N of all items = 5,637 for papers with weak market orientations, N = 4,849 for papers with strong market orientations.

Table 5

Percentages of types of items on Page 1 at papers with weak and strong market orientations.

| Content Type | Weak | Strong |
|---|---|---|
| Routine news, feature | 85.0% | 87.2% |
| News analysis | 1.0 | 0.7 |
| Special reports, investigations | 1.2 | 3.5 |
| Column, review | 0.0 | 1.0 |
| Advice | 0.0 | 0.1 |
| Reader letters, comments | 3.3 | 0.7 |
| Informational graphics, stand-alone art | 7.1 | 6.5 |
| Other, headline teasers | 2.4 | 0.1 |

Notes: No difference of proportions significant at $p \leq .05$. N of Page 1 items = 820 for papers with weak market orientations, N = 678 for papers with strong market orientations.

Finally, Hypotheses 5 and 6 focused on how newspapers present information. Here, we found clear evidence that papers with a strong market orientation live up to their billing – they are more visual and more attentive to providing devices to help readers quickly absorb content and to navigate the paper. Table 6 shows that the mean number of photos, graphics or logos associated with each content unit is significantly higher at "strong" papers than "weak."[53] And, the market-driven papers also are much more likely

to provide other informational aids to readers. In recent years, some papers have started summarizing information from articles to satisfy the needs of readers who want to scan the paper. At "strong" papers, the mean number of content summaries per content unit is about double that of the "weak" papers. Another informational aid is a notice that directs readers to related content within the paper. These internal references are sometimes called "refers." Here again, the papers with a strong market orientation are significantly more likely to include these references than papers with a weak market orientation.

Table 6

Mean number of visuals, content summaries and content references per content unit for newspapers with relatively strong and weak market orientations.

| Kind of supporting content | Weak | Strong |
|---|---|---|
| Visuals (photos, graphics, logos) | 0.57 | 0.77 * |
| Content summaries | 0.05 | 0.12 * |
| Internal references (to related content) | 0.06 | 0.17 * |

Notes: * Difference of means significant at $p \leq .05$. N = approximately 5,637 content units for papers with weak market orientations, N = 4,849 content units for papers with strong market orientations.

*Discussion and Conclusions*

At the outset, this paper presented commentary from critics of market-driven journalism suggesting that we should find content differences between papers with strong and weak market orientations. This study does, in fact, find differences. Papers with a strong market orientation appear to publish proportionally fewer items about government or public life and proportionally more items devoted to private life, coping and sports. "Strong" papers tend to be more visually oriented and are more likely to provide reader-friendly content such as content summaries or references to related content.

Nonetheless, it would be hard to argue that market-driven papers are oblivious to a public-service role. Almost 40 percent of the items that they publish on their main display pages deal with activities traditionally related to public life. If items on business and economics are included, that figure rises to 54 percent – less than the 66 percent for papers with a weak market orientation but still a substantial commitment to socially important content.

The analyses reported here are really just a first step in exploring how the strength of a newsroom's market orientation might influence content. What's needed next are studies that consider these matters:

- A fuller range of newspapers should be examined. Given that there have been no systematic content comparisons between papers with relatively strong and weak market orientations, the analysis strategy used here involved selecting papers at the extreme to maximize the possibility of finding differences. As such, the papers in this study tend to be aberrant. It would be helpful to know whether content differences surface for more typical papers – that is, papers that rank toward the middle of the continuum.
- Data should be collected on space allocations for various kinds of content. Across roughly the same number of pages, the market-driven papers published about 780 fewer items. It's likely that that difference can be explained, at least in part, by the greater emphasis that the "strong" papers had on use of visuals and reader-friendly devices, such as content summaries. But confirming this by taking space measurements would be useful.
- Qualitative analyses of content differences should be undertaken. Those analyses would focus on whether differences exist in *how* topics are covered. For example, the nature of government coverage might differ in terms of its emphasis on events vs. processes.

Nonetheless, the findings here do confirm what has largely been critics' speculation – that market-driven journalism is changing the kinds of content that newspaper publish. They would not, however, seem to suggest that the consequences are as dire as these critics proclaim. Daily newspapers of all kinds continue to devote the bulk of their items on their major display pages to content about government and public life.

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50 Before conducting analyses with the survey data, the homogeneity of responses was assessed. The strategy used was to compute the standard deviation for a variable across respondents in a given organization. For the sample as a whole, the standard deviation scores for each variable were regressed on the number of respondents within an organization. In essence, an effort was made to see if the number of respondents was a significant predictor of the standard deviation, a measure of variation in scores. In most cases, that did not occur, suggesting that responses did not become more varied as the number or respondents increased. In fact, the number of respondents was a significant predictor of the standard deviation for only six of the 75 variables tested. This degree of homogeneity seemed sufficient to treat the measures as organizational-level indicators.

51 Selection was based on the papers' rankings on the market-orientation index and availability of microfilm.

52 One of the small newspapers (weak market orientation) did not routinely publish six major display pages. Consequently, only four major display pages were examined in each of its issues. Also, that newspaper did not publish seven days each week, so other weekday issues were substituted. Two of the large papers – one in the weak market-orientation category and one in the strong market-orientation category – were partners in joint operating agreements. In these JOAs, responsibility for the Saturday and Sunday editions was divided, with the sample paper handling one of those days and its partner handling the other. In the analyses, editions largely handled by the JOA partner were eliminated. For one of the medium-sized papers (strong market orientation), one sports page was missing from microfilm. For one of the small papers (strong market orientation), microfilm was not available for one business page in one edition. For one of the medium-sized papers (weak market orientation), microfilm for one Sunday edition was incomplete. Replacement pages were obtained from the following Sunday edition. Finally, two issues were missing for one small paper. Efforts are now being made to obtain microfilm for those issues from another source.

53 Photos, graphics and logos were summed into a "visuals" variable for these analyses.

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# Impact of Context Effects on Evaluation of New Shows in Lead-In/Lead-Out Context

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**Impact of Context Effects on Evaluation of New Shows in Lead-In/Lead-Out Context**


## Abstract

This study conducted an experiment to explore the impact of context effect on the evaluation of a new show, incorporating lead-in and lead-out scheduling techniques. Results show that contrast effect or assimilation effect occurs, depending on whether the surrounding program is of the same or a different genre. The same context effects occurred regardless whether the target show was viewed first (i.e., lead-out) or after the context show (i.e., lead-in). It was also found that the assimilation effect tended to be the largest in the lead-out/different-genre condition, and contrast effect was the highest in the lead-in/same-genre condition of all experimental conditions. Implications about scheduling strategies in the introduction of new series were discussed.

Each year dozens of new programs are introduced to TV network prime-time schedules. To ensure the new shows have maximum opportunities to reach the largest population of audiences, broadcasters traditionally put premieres in the most popular time slots and adopt a wide variety of scheduling strategies to maximize the audience flow. One important strategy, for instance, is to surround the new shows with existing popular shows. Because broadcasters have tried every way to provide the best conditions for premieres, new shows usually get highly inflated ratings. However, the ratings of these new series seldom hold up to expectations if viewers do not like the programs or when they are moved into other time slots. In consequence, many new series are quickly cancelled. In fact, it is estimated that the long-term average failure rate for all major networks is higher than 60% in the 1990s (Adams & Eastman, 1997).

The high mortality rate of new shows thus give rise to questions as whether the conventional scheduling strategies have been working effectively for the introduction of new shows as today's audiences have a much broader range of programming choices than, say, ten years ago. Or, are there any other unanticipated factors that have been intervening and rendering less effective the scheduling strategies?

Imagine a person watches two sitcoms. One of the sitcoms has been enjoying very high ratings and the other is one with only mediocre ratings or a new sitcom whose ratings are not yet established. Does the popular show make the weak one/new show less amusing in the long run when they are constantly viewed one after the other immediately? Or would the viewer eventually find the mediocre/new sitcom funnier because the "mood" is successfully set up by the preceding popular one? What would happen if a person watches a high-rating game show and a less popular (or new) sitcom in a row? Would the

popularity of the game show have any impact on the perception of the following weak sitcom besides the assumed scheduling effects? Could the game show set up a proper "mood" and favorable condition for the following sitcom?

In spite of the possibility, this contextual factor has rarely, if ever, been addressed before in the studies of TV scheduling strategies. Because the success of a new series is very critical for the performance of a TV network, we deem it necessary to have a better understanding of the mechanism of context effects underlying a viewer's perception or evaluation of a program. The present study attempts to explore the possible impact of context effects on program evaluation when different scheduling techniques are implemented.

**Scheduling Strategies**

TV broadcast networks have been employing all kinds of scheduling strategies to maintain or increase audience ratings and shares, especially for prime-time programming (Adams & Eastman, 1997). Traditionally, the focus on scheduling strategies has been referred to as structuralistic approach. The general assumption is that the audience is largely passive and inertial. Once they tune in to a certain channel, they are more likely to stay with the same channel. Thus, the following show would have a higher probability of exposure. Some of the most often employed strategies are lead-in, hammocking, and blocking. These techniques are generally based on the notion of "inheritance effects," which mean that part of the audience of a program will be carried over to the next one (Cooper, 1993, 1996; Webster, 1985).

Conventionally, broadcasters put a popular show before a less popular one to lead part of the audiences into the next one. Broadcasters also sometimes insert a weak series

before a more popular show (i.e., lead-out) or between two well-established popular shows (i.e., hammocking), hoping that audiences will stay with the same channel. The networks also use blocking, placing a less popular program within a "block" of the same genre for the prime-time programming lineup. NBC's sitcom Thursday is a classic example of blocking.

There were numerous studies on the effectiveness of scheduling practices in the past. Most studies in this field infer the degree of scheduling effectiveness from rating data (Eastman & Ferguson, 1997). Nevertheless, how the scheduling strategies may affect viewers' evaluation or liking of the program has seldom been addressed before. Although these strategies have been practiced continuously, results of prior research often pointed to a very inconsistent picture in terms of their effectiveness. Of all scheduling strategies, lead-in has been found to be the most important predictor (Cooper, 1993). The inheritance effects are most effective when the adjacent programs are of the same type (Tiedge & Ksobiech, 1986; Webster, 1985).

On the other hand, prior research found that inheritance effects have increasingly declined in the 1980s as a result of the growing penetration of cable television, VCRs, and the remote control device (Walker, 1988). That is, audiences are more likely to switch channels when they have a wider variety of programming alternatives. Adams (1997) found that the conventional scheduling strategies do not improve the ratings, shares, or rankings of new programs. Consequently, some scholars have claimed that the power of these scheduling strategies may be more myth than actual in the present television environment (Adams & Eastman, 1997).

Most people spend more than two hours watching TV on a daily basis. Moreover, TV viewing tends to concentrate in the evening, and the prime-time segment in particular. That is, most TV viewers have a high probability of watching at least two programs in the same evening. It is possible that audiences would either consciously or subconsciously compare the quality of the two shows. Under these circumstances, context effects may have some impact on the judgment or perception of the programming.

**Assimilation and Contrast Effects**

How the judgment or perception is affected by contextual factors has attracted much academic attention in social psychology. Two types of context effect that have been most examined are assimilation effect and contrast effect. Assimilation effect refers to the phenomenon in which evaluation is biased toward the context stimulus, whereas contrast effect refers to the bias in the opposite direction. Translated into media terminology, this implies that scheduling techniques will not only improve ratings but also generate a more favorable evaluation for a weak show if the inheritance effect does work and assimilation occurs. On the other hand, effective scheduling techniques may actually create an unfavorable context for the new show if contrast effect is induced.

Prior research on context effects has mostly focused on the detection of conditions under which assimilation or contrast will most likely occur in the judgmental process. The impact of context effects has been investigated in numerous fields, including judicial decision making (Kerstholt & Jackson, 1998), performance evaluation (Kravitz & Balzer, 1992; Murphy, Balzer, lockhart, & Eisenman, 1985; Smither, Reilly, & Buda, 1988; Sumer & Knight, 1996), assessment of service quality (Bolton & Drew, 1991), customer satisfaction (Oliver, 1980; Woodruff, Cadotte & Jenkins, 1983), judgment of people

(Biernat, Manis & Nelson, 1991; Newman & Uleman, 1990; Wilder & Thompson, 1988), and affective expectations (Geers & Lassiter, 1999; Wilson, Lisle & Draft, 1989).

It was found in the 1950s that the introduction of a reference point into the judgmental process would have a considerable impact on the judgmental outcome (Sherif, Taub, & Hovland, 1958). When the reference point (or anchor) is positioned at the endpoint of the scale or only slightly away from it, there will be a displacement of the scale toward the new anchor, hence assimilation effect. If the new anchor is positioned far away from the original scale, the scale will be pushed in the opposite direction from the anchor.

Subsequent research has found a number of factors that also would affect the direction of the context effect. Herr, Sherman, and Fazio (1983) have pointed out that only when the target has ambiguous value and the context stimulus has a moderate scale can assimilation effect occur. Contrast effect will most likely occur if the target to be evaluated is unambiguous or the context cue is extreme. This argument is later supported by another study on consumer perception of car prices (Herr, 1989).

It is argued that when the target stimulus is ambiguous in value, it will be assessed based on the accessibility of any relevant information (Herr, Sherman & Fazio, 1983). Therefore, if the contextual stimulus and the focal object are of the same of similar category, the former is more accessible and thus more influential in determining the judgmental outcome. Consequently, assimilation is more likely to happen. Little or no overlapping between the characteristics of the context and the target, by contrast, will lead to contrast effect.

With respect to TV programming strategies, these findings imply that if the two programs viewed successively are very different from each other, contrast effect is more likely to occur. Thus, the popular show will likely pale the less popular one or the newly introduced one. On the other hand, if the two programs are of similar categories, the less popular show would be perceived more favorably as a result of assimilation effect.

Martin, Seta, and Crelia (1990) have hypothesized that the direction of context effect depends on the degree of cognitive effort involved in the judgmental process. Subjects with higher need for cognition, for example, tend to avoid the use of contextual cues and search for other information about the target to be evaluated. In this situation, contrast effect is more likely to occur. On the other hand, subjects who merely assess the target stimulus based on the primed cues are assumed to be less involved in cognitive processing. The sole dependence on context cue as the source of judgment information is likely to result in assimilation.

This finding is supported by the study of Geers and Lassiter (1999) that has indicated the important role of cognitive processing. Based on the unitization paradigm, it is found that when subjects are involved in more detailed assessment (hence more cognitively effortful), they are likely to detect more discrepancies between the context cue and the target stimulus than if they are not highly involved. The detection of discrepancies tends to generate contrast effect. By contrast, when subjects assess the target object at a gross level, less information about the context-target discrepancies is extracted. In this situation, assimilation is more likely to happen.

The degree of cognitive involvement is relevant the study of scheduling strategies because the concept is closely related to the degree of audience involvement. Indeed, the

basic assumption of the structuralistic tradition in media studies tends to see TV viewers as passive, less involved, and prone to scheduling manipulation. The opposite view, such as that of uses and gratifications approach, claims that media audiences are active and selective. An important implication of this dichotomy is that contrast effect is more likely to occur when TV viewers actively select what programming they want to watch. Otherwise, assimilation is more likely to occur.

A recent study has proposed a two-factor explanation for the occurrence of assimilation and contrast effects, integrating the notion of cognitive resources with the concept of feature overlapping between context and target (Meyers-Levy & Sternthal, 1993). The new model suggests that two conditions must be met in order to achieve contrast effect. That is, substantial cognitive effort must be available in the evaluation process, and there is only little feature overlapping between context and target. Absence of either condition will lead to assimilation.

A number of empirical studies have focused on the impact of context effects on the evaluation of performance. In addition to the empirical evidence, these studies also have provided insights into the theoretical framework. In their study on performance ratings, Smither, Reilly, and Buda (1988) have pointed out that how the contextual cue is presented can have differential impact on the evaluation of the target stimulus. When the ratings of prior performance are provided as a written report, subjects tend to demonstrate assimilation effect in the evaluation of the subsequent performance. By contrast, if the prior performance is observed directly (i.e., by watching a videotape), contrast effect is obtained. The authors concluded that direct observation of the context cue would lead to

contrast, whereas evaluating the context stimulus based on other indirect means would be conducive to assimilative results.

It has also been demonstrated that contrast effect is most likely to occur when subjects are asked to evaluate the previous performance before the target performance is presented. Assimilation will be obtained when the subjects are not requested to give ratings for the prior performance (Sumer & Knight, 1996).

Some previous studies have examined whether context effects exist when contextual cue and subsequent evaluation are separated by a longer temporal interval (Manis & Moore, 1978; Murphy, Balzer, Lockhar, & Eisenman, 1985; Smither, Reilly, & Buda, 1988). Contrast effect has been consistently found when contextual cue and target stimulus are presented in immediate sequence. If evaluation of the target object is delayed for a large time interval (e.g., one to five days), either the contrast effect disappears (Murphy, Balzer, Lockhart, & Eisenman, 1985; Smither, Reilly, & Buda, 1988) or assimilation effect occurs (Manis & Moore, 1978).

Smither et al. (1988) have suggested two explanations for the disappearance of contrast effect as a result of longer time intervals. First, the authors have argued that contrast effects are a function of "demand characteristics" which tend to be stronger when evaluation is performed immediately after the contextual cue. The demand characteristics would become increasingly weaker over a long period of time, hence reduction of the contrast effect. A second explanation is that the strength of cognitive categorization that leads to contrast effects decreases over time. This latter argument is in consonance with the argument by Murphy et al. (1985) that contrast effect is due to bias in attention rather than bias in memory.

On the other hand, Manis and Moore (1978) have cited Bartletts' theory to account for the occurrence of assimilation as a result of longer time intervals. That is, as time passes, explicit recall of contextual cues weakens and is incorporated into the respondent's general background knowledge. When the respondent is asked later to evaluate a target object, the reconstructive process of this background knowledge will be activated, resulting in assimilation.

**Hypotheses and Research Questions**

The purpose of scheduling strategy, specifically the lead-in technique, is to create a supposedly favorable structural context that is intended to lead the captured audiences from a popular show to a less popular or new one. Nevertheless, the previous literature review implies that, when two programs were viewed in a row, the contextual factor may have positive or negative impact on the evaluation of the following show, depending on whether assimilation or contrast effect occurs. As more and more media-delivery alternatives are competing for audience attention, it is important to examine what kind of context effect is more likely to happen when a certain scheduling technique is adopted.

A less popular or new show scheduled immediately after a strong one is assumed to benefit from the earlier mentioned inheritance effects. However, if this scheduling technique is conducive to contrast effects, programmers may have to think about it again. This is because the weak show may be evaluated more unfavorably in this situation. Once the show is rescheduled to a new time slot where it cannot benefit from inherited audience flow as before, it is possible that the ratings will drop eventually. On the other hand, if the scheduling technique can improve ratings and create assimilation for the new show simultaneously, it should be used more often.

It has been argued that for assimilation to occur, contextual and target stimuli must have a high level of feature overlapping (Herr, Sherman & Fazio, 1983; Meyers-Levy & Sternthal, 1993). This means programs of the same genre viewed in succession will more likely induce assimilation effect. Contrast effect will more likely occur if the programs are of very different genre.

H1: A new show viewed immediately after a popular show of the same genre will be perceived more favorably than if the new show is viewed alone (i.e., assimilation effect).

H2: A new show viewed immediately after a popular show of a completely different genre will be perceived less favorably than if it is viewed alone (i.e., contrast effect).

The previous two hypotheses are based on the lead-in strategy, which is by no means the only way. To have a better understanding of the context effect in combination with scheduling techniques, the present study also attempts to explore whether the context effect also occurs in a similar way in the lead-out strategy.

RQ1: Does the same context effect occur when the new show is viewed prior to the popular show?

RQ2: Suppose the mechanism of context effects work in the same manner in both the lead-in and lead-out situations. Does lead-in create a stronger context effect than lead-out?

We have to admit that there are other scheduling techniques that need such investigation. However, because of the limited resources and the exploratory nature of the present study, the focus on only lead-in and lead-out would suffice to bring some insights into the issue under examination. Moreover, previous research has pointed out that lead-in is the most commonly practiced technique and tends to be more effective than other techniques. Therefore, we believe that the focus on lead-in and lead-out would not limit the contribution of the present study to a very substantial extent.

**Research Method**

An experiment was conducted to 142 undergraduate students at a university in northern Florida in March 2001. The experiment is a 2 (same genre versus different genres) × 2 (lead-in versus lead-out) factorial design plus a control group. The sitcom "Welcome to New York" was selected as the target new show to be evaluated. It was selected primarily because it was a relatively new series (which started in October 2000), and had lower average ratings (see Appendix). Sitcom was chosen as the genre for exploration because programs of this genre generally account for the largest part of weekday prime-time programming lineup of broadcast networks. The sitcom "Friends" was selected as a popular show of the same genre. The game show "Who wants to be a Millionaire" was selected as a popular show of a different genre. An episode of the each of the three shows was recorded in November 2000.

Subjects were randomly assigned to one of five groups. The first group viewed "Friends" and then "Welcome to New York." The second group viewed "Who Wants to be a Millionaire" and then "Welcome to New York." The third group watched "Welcome to New York" and then "Friends." The fourth group watched "Welcome to New York" and then "Who Wants to be a Millionaire." Subjects in the control group watched only "Welcome to New York."

Each program was about 30 minutes in length, including commercials. Subjects watched the two shows without any time break. After the subjects finished watching the programs, they were asked to answer some evaluation questions about the target program (i.e., "Welcome to New York). They were not asked to evaluate the context stimuli because of the concerns that participants might use the context evaluation as a heuristic

cue or baseline, and adjusted their assessment of the target object in accordance. The subjects were asked to evaluate, on a scale from one (not at all) to ten (very much), how much they (1) had enjoyed the show, (2) were amused by the show, and (3) had believed the show was popular.

The factor GENRE was coded as: same genre = 1, different genre = 2, and control group = 3. The factor SCHEDULE was coded as: lead-in = 1, lead-out = 2, and control group = 3. Because of the concerns that repeat viewing might bias the experiment results, the subjects were asked whether they had seen the same episode before, using a dummy variable REPEAT (1 = yes, 0 = no). They were also asked to indicate how often they watched this program (FREQUENT) on a scale ranging from one (never missed one episode) to seven (never heard of it before). These scores were used as controlling variables.

## Results

### Sample Description

Of all the 142 participants, 112 were female students (78.9%), and only 30 male students (21.1%). T-test was performed to examine the impact of gender on program evaluation. No significant results were found (Table 1). Because gender is not a major concern of the present study, the unbalanced proportion should not generate any systematic bias. Overall, the participants did not think the episode they watched very enjoyable (M = 5.55, SD = 2.25), amusing (M = 5.52, SD = 2.31), or popular (M = 4.71, SD = 2.07).

Only three students (2.1%) reported that they had watched the same episode before. Therefore, the use of this episode of "Welcome to New York" as a new show has a

high degree of validity. Quite unexpected, nearly 79% of the subjects (112 students) said they had never heard of this new series before. Twenty-four participants (16.9%) said they had never watched this new series before. Only six students (4.2%) said they watched "Welcome to New York" once in a while or seldom. Although unexpected, these results turned out to be in our favor because we used this series to represent a new show.

**Hypothesis Testing**

Analysis of covariance (ANCOVA) was first performed to test the effect of each factor. Parameter estimates were also examined for the impact of each variable. Bonferroni's multiple comparison was subsequently performed to examine the mean difference between groups. Because the present study used three dependent variables to represent program evaluations (i.e., enjoyable, amusing, and popular), the same procedure was repeated respectively.

Hypothesis one stated that a new show (i.e., "Welcome to New York") viewed after a popular show of the same genre (i.e., "Friends") would have a higher evaluation than if it was viewed alone. Hypothesis two stated that a new show viewed after a popular one of a different genre would have a lower evaluation than if it was viewed alone. This means that we would expect the interaction effect (SCHEDULE × GENRE) to be significant. Table 2 summarizes the ANCOVA results for the three dependent variables separately. None of the three cases had significant interaction effect. Thus, neither hypotheses were supported.

Nevertheless, Table 2 demonstrates that GENRE had a significant main effect in all the three program evaluations: enjoyable ($F(1, 135) = 17.71$, $p < .01$), amusing ($F(1, 135) = 17.75$, $p < .01$), and popular ($F(1, 135) = 12.39$, $p < .01$). Bonferroni's multiple

comparison results (Table 3) indicate that evaluation of the show was significantly higher in the different-genre condition than in the same-genre condition. The episode "Welcome to New York" was considered more enjoyable when it was viewed with "Who Wants to Be a Millionaire" (M = 6.30, SD = 2.21) than with "Friends" (M = 4.71, SD = 1.10). It was also evaluated as more amusing (M = 6.28, SD = 2.09), and more popular (M = 5.26, SD = 2.14) in the different-genre condition. Moreover, there was also a marginal tendency that evaluation in the different-genre condition was higher than in the control group, and that evaluation in the same-genre condition was lower than in the control group.

These results, however, were contradictory to the postulations of context effect literature we discussed in the previous section. The present results demonstrate that when the context and target were of the same genre (i.e., sitcom), contrast effect was actually more likely to occur. Conversely, assimilation effect was more likely to occur in the different-genre condition (sitcom versus game show).

**Lead-in versus Lead-out**

The present study also attempts to explore context effects in combination with lead-out scheduling technique. The first research question asked whether the same pattern of context effects also occurred when the target show (i.e., "Welcome to New York") was viewed before the context show (i.e., "Friends" or "Who Wants to Be a Millionaire"). As demonstrated by the ANCOVA results (Table 2) and multiple comparison (Table 3), only the factor GENRE has a significant main effect. This means that the evaluation of the target show was higher in the different-genre condition and lower in the same-genre condition, regardless of the order of viewing. In other words, lead-in and lead-out had the same pattern of impact on the evaluation of the target program. Assimilation effect

occurred in the different-genre condition: contrast effect occurred in the same-genre condition in both the lead-in and lead-out conditions.

Given the same impact pattern between lead-in and lead-out, the second research question asked whether lead-in generated stronger context effects than lead-out. For this matter, the main effect of SCHDULE is the major concern. As demonstrated in Table 2, the main effect of SCHDULE was not significant in enjoyable ($F(1, 135) = .90$, $p = .35$), amusing, ($F(1, 135) = 1.96$, $p = .16$) or popular ($F(1, 135) = .15$, $p = .70$). However, a further check of the resultant parameter estimates reveals that lead-out had marginally higher coefficients than lead-in for all the three evaluations (Table 4). On the other hand, the same-genre condition always induced contrast effect, as shown by the negative coefficients. In combination, there is marginal evidence that the evaluations of the target program were the highest in the lead-out/different-genre condition and lowest in the lead-in/same-genre condition (Table 5). In other words, the results suggest that lead-in was more likely than lead-out to induce larger contrast effect in the same-genre condition. Conversely, lead-out, as opposed to lead-in, tended to induce higher assimilation effect in the different-genre condition.

**Discussion**

The present study explores the impact of context effect on programming evaluation in the context of lead-in and lead-out scheduling techniques. According to context effect literature, assimilation is likely to occur when the target and the context stimulus are of the same or similar category. Conversely, contrast effect is more likely to occur when the target and context stimulus belong to different categories. To test these postulations, this study selected an episode of the newly introduced sitcom "Welcome to

New York" as the target for evaluation. An episode of the popular sitcom "Friends" was used to serve as context stimulus of the same category, and an episode of "Who Wants to Be a Millionaire" served as context stimulus of a different category.

The experiment results, however, did not support the hypotheses. Evaluations of the target program in comparison of the control group did not show significant assimilation effect when it was viewed after or before the sitcom stimulus. Nor was significant contrast effect found when the target sitcom was viewed after or before the game show stimulus.

However, evaluations of the target sitcom in the different-genre condition were found to be significantly higher than in the same-genre condition. In fact, there was also marginal evidence that evaluations were higher in the different-genre condition than in the control group. By contrast, evaluations in the same-genre condition were marginally lower than in the control group. Viewers tended to consider the target sitcom more enjoyable, amusing, and popular when they also watched "Who Wants to Be a Millionaire." The target sitcom paled considerably when it was viewed with "Friends." In other words, assimilation occurred in the different-genre condition, and contrast occurred in the same-genre condition. The same pattern appeared in both the lead-in and lead-out conditions. These results are in stark contrast to the postulations of the context effect theory.

The theoretical framework of context effect cannot account for this contradiction. Therefore, explanation for these discrepancies is speculative at best. One possible reason is that when the target and the context stimulus are of the same category, people would more likely use the overlapping and compatible features as an obvious and heuristic referent point (in this study, sitcom versus sitcom). The existence of this heuristic

reference makes easier the detection of the distance between the target and context stimulus. Under these circumstances, if the target is not positioned close enough to the context stimulus, the distance would likely be considerably amplified. This means that the target would be pushed farther away from the context stimulus and induces contrast effect (Sherif et. al, 1958).

On the other hand, when the context stimulus and the target belong to different categories (i.e., sitcom versus game show), it is more difficult to come up with a distinct referent point for comparison. This "blurring" effect would probably serve to minimize the distance between the target and the context stimulus. According to Sherif et al (1958), when the target is positioned only slightly away from the anchor (i.e., the context stimulus), there will be a displacement of the scale toward the anchor, hence assimilation occurs.

A slightly different explanation for the contradictory results is that the sitcom "Welcome to New York" is by nature not already appealing to younger student viewers because the story is about white-collar professionals and the main cast is older. Unlike the younger and fashionable cast of "Friends," features of "Welcome to New York" make the sitcom less entertaining for younger viewers. There exists a large discrepancy and distance in between. Therefore, even though the target and the context stimulus are of the same category, and the context stimulus is able to set up a favorable "mood" for the target, the very large distance would offset the "mood" effect and leads to contrast effect.

This is not the case in the different-genre condition. While "Who Wants to Be a Millionaire" is also popular among younger viewers and is able to set up a favorable "mood" for the target show, it does not pose a serious contrast because it belongs to a

different category. In this situation, the favorable context predominates the contrast effect. Consequently, evaluation is higher in the different-genre condition.

The contradiction can also be accounted for from the perspective of cognitive involvement. When the target and the context stimulus are of different categories, there is no obvious basis for comparison. Thus, the evaluation would require more cognitive effort. Since people are generally "cognitive misers" (Chaiken, 1980; Fiske & Taylor, 1991), they tend to minimize cognitive effort by using heuristic cues. In this situation, the context stimulus becomes a heuristic cue and is more likely to induce assimilation effect (Geers & Lassiter, 1999). Conversely, when the target and context stimulus are of the same category, the referent point becomes obvious and the evaluation becomes less cognitively demanding. Under these circumstances, viewers are more likely (or willing) to engage in the cognitive processing. This, in turn, would more likely lead to contrast effect (Geers & Lassiter, 1999).

In addition to the unexpected context effects in the same-genre and different-genre conditions, the present study also found an interesting pattern with regard to lead-in and lead-out scheduling techniques. Contrast effect tended to be larger when the target show was viewed after a program of the same genre (i.e., lead-in/same-genre condition). On the other hand, assimilation effect was generally larger when the target show was viewed prior to the context stimulus of a different category (i.e., lead-out/different-genre condition).

The factor of time interval between the presentation of the target and the evaluation could explain the existence of this pattern. Prior research on context effects found that if evaluation of the target object is delayed for a certain time interval, contrast

effect is likely to disappear or be minimized (Murphy, Balzer, Lockhar, & Eisenman, 1985; Smither, Reilly, & Buda, 1988), or assimilation effect will occur (Manis & Moore, 1978). In the lead-out/different-genre condition, the presentation of the target show and the evaluation of the target was interrupted by the context stimulus, hence a certain amount of time interval. This means that the contrast would disappear/diminish or assimilation would occur. At the same time, the different-genre condition tended to induce assimilation. This "double effect," therefore, resulted in the highest assimilation effect of all experimental conditions.

The "double effect" worked in the opposite direction in the lead-in/same-genre condition. First, the same-genre context already induced contrast effect. At the same time, there was no time interval between the presentation and evaluation of the target object. This means that the contrast effect was unlikely to disappear. As a result, evaluation in this experimental condition was lowest of all.

**Implication and Limitation**

In conclusion, the present study found that, in contrast to postulations of the context theory, when two programs of the same genre were viewed in a row, the less popular show would suffer from contrast effect and had lower evaluations. When the two programs were of different genres, the less popular show would benefit from assimilation effect and had higher evaluations. Moreover, the less popular show would suffer most seriously when it was scheduled immediately after a very popular show of the same category (e.g., "Friends"/"Welcome to New York"). By contrast, assimilation effect was largest when the less popular show was viewed before a popular program of a different genre (e.g., "Welcome to New York"/"Who Wants to Be a Millionaire").

These findings have important implications for broadcasters. First, the same-genre/different-genre effect implies that when a new show is introduced, it is probably more advisable to use a popular show of a different genre as lead-in or lead-out. This would create a more favorable context for the new show. That is, viewers may have a higher evaluation of the show. Once the new show is moved to a new schedule and removed of the initial inheritance effects, it may have a higher chance of survival.

When a new show is planned, broadcasters commonly conduct a focus group to evaluate the new show. However, the focus group evaluation often does not take into account the context effect that is very likely to exist in the daily viewing situation. This may result in unrealistic or even misleading assessment of the new show once the scheduling techniques such as lead-in, lead-out, or hammocking are incorporated. Therefore, the second implication of this study is that when a new series is ready for premiere, broadcasters can set up different combinations of programming lineup for focus group evaluation. The assessment results would allow programmers to come up with the best context for the new show.

It should be noted that the selection of "Welcome to New York" as the target show, and "Friends" and "Who Wants to Be a Millionaire" as the context stimuli is arbitrary. Whether different genres in combination with scheduling techniques would create different context effects requires further investigation.

Moreover, different programs or genres often are intended for different audience groups as product differentiation and market segmentation have increasingly become critical in today's media environment. The present study used only student sample. It is

possible that the context effect may work differently when audience demographics is taken into consideration. Further research may need to address this issue.

Finally, the experiment was conducted to groups of audiences. This artificial environment might create some artificial "group mood" or "group atmosphere" that do not often exist in a real viewing situation. Whether the artificiality of the experimental environment would create some bias is unknown. Further study may also want to take this aspect into account.

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**Table 1. Sample Description and Descriptive Statistics**

| Dependent variable | Gender | N | Mean | SD | t-test between gender | | |
|---|---|---|---|---|---|---|---|
| | | | | | t-score | df | p-value* |
| Enjoyable | Female | 112 | 5.65 | 2.26 | 1.05 | 140 | .30 |
| | Male | 30 | 5.17 | 2.20 | | | |
| | Total | 142 | 5.55 | 2.25 | | | |
| Amusing | Female | 112 | 5.60 | 2.30 | .77 | 140 | .44 |
| | Male | 30 | 5.23 | 2.33 | | | |
| | Total | 142 | 5.52 | 2.31 | | | |
| Popular | Female | 112 | 4.77 | 2.10 | .63 | 140 | .53 |
| | Male | 30 | 4.50 | 1.96 | | | |
| | Total | 142 | 4.71 | 2.07 | | | |

* 2-tailed significant level.

**Table 2. ANCOVA Results of Context Effect Experiment**

| Dependent variable | Enjoyable | | | Amusing | | | Popular | | |
|---|---|---|---|---|---|---|---|---|---|
| | df | F | p-value | Df | F | p-value | df | F | p-value |
| INTERCEPT | 1, 135 | 13.84 | <.01 | 1, 135 | 14.43 | <.01 | 1, 135 | 12.27 | <.01 |
| REPEAT | 1, 135 | 2.16 | .14 | 1, 135 | 1.62 | .21 | 1, 135 | 1.01 | .32 |
| FREQUENT | 1, 135 | 1.85 | .18 | 1, 135 | 2.28 | .13 | 1, 135 | 1.84 | .18 |
| SCHEDULE | 1, 135 | .90 | .35 | 1, 135 | 1.96 | .16 | 1, 135 | .15 | .70 |
| GENRE | 1, 135 | 17.71 | <.01 | 1, 135 | 17.75 | <.01 | 1, 135 | 12.39 | <.01 |
| SCHEDULE * GENRE | 1, 135 | .17 | .68 | 1, 135 | .04 | .84 | 1, 135 | .11 | .74 |

**Table 3. Bonferroni's Multiple Comparison between Experimental Conditions**

| Dependent variable | | Enjoyable | | Amusing | | Popular | |
|---|---|---|---|---|---|---|---|
| Condition (I) | Condition (J) | Mean difference (I – J) | p-value | Mean difference (I – J) | p-value | Mean difference (I – J) | p-value |
| Same genre | Different genre | -1.59 | <.01 | -1.63 | <.01 | -1.26 | <.01 |
| Same genre | Control group | -1.07 | .10 | -1.12 | .09 | -1.07 | .07 |
| Different genre | Control group | .52 | .90 | .50 | .99 | .19 | 1.00 |
| | | | | | | | |
| Lead-in | Lead-out | -.32 | 1.00 | -.53 | .65 | -.12 | 1.00 |
| Lead-in | Control group | -.45 | 1.00 | -.60 | .82 | -.51 | .90 |
| Lead-out | Control group | -.13 | 1.00 | -.06 | 1.00 | -.39 | 1.00 |

**Table 4. Parameter Estimates of Independent Variables**

| Dependent variable | Enjoyable | | | Amusing | | | Popular | | |
|---|---|---|---|---|---|---|---|---|---|
| Independent variable | B coefficient | t score | p value | B Coefficient | t score | p value | B coefficient | t score | p value |
| INTERCEPT | 8.77 | 3.81 | <.01 | 9.20 | 3.90 | <.01 | 7.91 | 3.65 | <.01 |
| REPEAT | 1.93 | 1.47 | .14 | 1.72 | 1.27 | .21 | 1.24 | 1.00 | .32 |
| FREQUENT | -.47 | -1.36 | .18 | -.53 | -1.51 | .13 | -.44 | -1.36 | .18 |
| SCHEDULE (lead-in = 1) | .45 | .77 | .44 | .47 | .78 | .44 | .22 | .41 | .69 |
| SCHEDULE (lead-out = 2) | 1.00 | 1.75 | .08 | .96 | 1.65 | .10 | .50 | .93 | .36 |
| GENRE (same genre = 1) | -1.84 | -3.36 | <.01 | -1.64 | -2.92 | <.01 | -1.44 | -2.80 | <.01 |
| SCHEDULE*GENRE (lead-in * same genre) | .33 | .41 | .68 | -.16 | -.20 | .84 | .25 | .33 | .74 |

**Table 5. Mean Values of Evaluations in Each Experimental Conditions**

| Independent variable | | Enjoyable | | Amusing | | Popular | |
|---|---|---|---|---|---|---|---|
| Experimental group | N | Mean | SD | Mean | SD | Mean | SD |
| 1) lead-in & same-genre | 27 | **[4.67]** | 2.34 | **[4.37]** | 2.34 | 4.04 | 1.87 |
| 2) lead in & different-genre | 28 | 5.96 | 2.24 | 5.96 | 2.01 | 5.07 | 1.94 |
| 3) lead-out & same-genre | 31 | 4.74 | 1.91 | 4.90 | 2.29 | **[3.97]** | 1.80 |
| 4) lead-out & different-genre | 29 | **(6.62)** | 2.18 | **(6.59)** | 2.16 | **(5.45)** | 2.34 |
| 5) control group | 27 | 5.78 | 2.06 | 5.78 | 2.17 | 5.07 | 2.04 |

Note: Numbers in [ ] are the lowest of all the experimental groups; numbers in ( ) are the highest of all the experimental groups.

**Appendix. Ratings and Share of Selected Shows**

| Date | Welcome to New York | Who Wants to Be a Millionaire | Friends |
|---|---|---|---|
| Oct. 5-11/2000 | 9.3 (14) | 13.9 (22) | 9.2 (15) |
| Oct 12-18/2000 | 7.2 (12) | 14.0 (23) | 17.0 (26) |
| Oct. 19-25/2000 | 6.4 (10) | 12 (19) | 15.2 (25) |
| Oct. 26-Nov. 1/2000 | 5.6 (9) | 13.9 (22) | 14.7 (24) |
| Nov. 2-8/2000 | 6.2 (9) | 15.2 (24) | 16.1 (24) |
| Nov. 9-15/2000 | 4.9 (7) | 16.3 (25) | 14.5 (22) |
| Nov. 16-21/2000 | (replaced by other show) | 13.3 (21) | 15.7 (25) |
| Nov. 22-29/2000 | 5.0 (7) | 15.0 (23) | 9.6 (11.9) |
| Nov. 30-Dec. 6/2000 | (replaced by other show) | 14.1 (22) | 11.9 (19) |
| Dec. 7-13/2000 | 5.0 (7) | 15.3 (23) | 13.6 (22) |
| Dec. 14-20/2000 | --- | --- | --- |
| Dec. 21-27/2000 | --- | --- | --- |
| Dec. 28-Jan. 3/2001 | 5.5 (8) | (replaced by other show) | 10.5 (18) |
| Jan. 4-10/2001 | 4.8 (7) | 14.1 (21) | 15.0 (24) |
| Jan.11-17/2001 | 3.4 (5) | 14.6 (23) | 14.8 (23) |

Note: The trade journal Variety is the source of ratings report. Numbers in ( ) are share points. Data for the two weeks Dec/14/2000 through Dec/27/2000 were unavailable.